# APPENDIX A: PUBLIC OUTREACH

## METHODOLOGY

The City implemented a four-part public outreach program to obtain input from Milpitas residents, businesses and community leaders. The four parts of the public outreach program were:

■ Business Survey

■ Corporate Executive and Community Leader Interviews

■ Survey of Corporate Employees

■ Public Forum

## SURVEY OF LOCAL-SERVING BUSINESSES

ADE conducted a mail survey of local-serving businesses in the City of Milpitas during July 2004 to collect information about growth and expansion trends, workforce issues, customer base, and overall business climate. Of the 1,000 businesses surveyed, 136 completed and returned questionnaires, a response rate of 13.6 percent. The survey responses are attached at the end of this appendix (Attachment 1).

## INTERVIEWS WITH CORPORATE EXECUTIVES AND COMMUNITY LEADERS

Between the months of May and October, 2004 ADE interviewed twelve senior-level executives of large and small Milpitas-based corporations and another ten members of the Economic Development Commission. (See Attachment 2 for names of persons interviewed.)

## SURVEY OF LARGE EMPLOYER

ADE developed a short questionnaire to be distributed to employees of a major Milpitas-based corporation to gain insights into their preferences for living and shopping opportunities. Two hundred sixty-three employees

responded. The questionnaire is attached at the end of this appendix. (See Attachment 5)

## PUBLIC FORUM

On September 13, 2004 the City of Milpitas hosted a special meeting at which all members of City Commissions were invited to discuss their goals for the City's economic development strategy. In all, 30 people attended including local business people, commissioners, city staff, and a high-school student. Participants developed goal statements that were then grouped into the following seven categories: business climate, downtown/city center; education; economic mix; image; housing affordability; public facilities, and quality of life. (A summary of the Forum and the booklet distributed to participants are included as Attachment 3 and 4.)

# SUMMARY OF PUBLIC INPUT

## LOCAL BUSINESS SURVEY

In order to assess the business climate for local-serving businesses, and provide additional market data for the retail analysis, ADE distributed a local business survey to all of the local serving businesses in Milpitas in July 2004. These businesses included retailers, restaurants, personal service providers, and local-serving professional services such as doctors, dentists, and accountants.

A total of 136 businesses responded to the survey, a response rate of 13.6 percent. Of these, 30 percent of the responses came from retail establishments, 17 percent from restaurants, 14 percent from personal service businesses, 28 percent from professional services, and 11 percent came from other businesses.
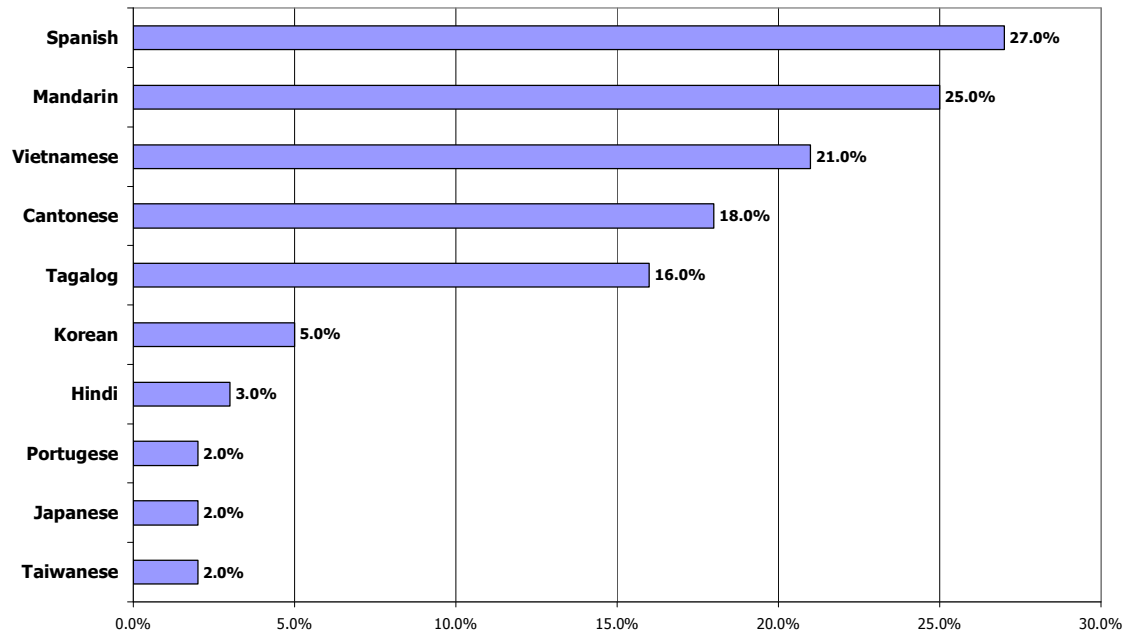
### Operational Characteristics

About 52 percent of the respondents have been in business for over five years. This indicates a relatively stable business base among Milpitas' local-serving businesses.

In addition, only 18 percent of the respondents are chain stores or franchised businesses. The rest of the respondents

represent independent/unique establishments that do not have multiple locations.

Very few businesses in Milpitas own their business space,

**FIGURE A-1**
**Business Conducted in Multiple Languages**

| Language | Percentage |
|----------|-----------|
| Spanish | 27.0% |
| Mandarin | 25.0% |
| Vietnamese | 21.0% |
| Cantonese | 18.0% |
| Tagalog | 16.0% |
| Korean | 5.0% |
| Hindi | 3.0% |
| Portugese | 2.0% |
| Japanese | 2.0% |
| Taiwanese | 2.0% |

with 87 percent of respondents leasing. Businesses reported a very high proportion of computer and Internet usage, with 73 percent of survey respondents indicating that they use a computer for their business, and 65 percent of them indicating that they have Internet access at their business.

## Business Conducted in Multiple Languages
Business in Milpitas is conducted in a broad range of languages: Spanish, Mandarin, Cantonese, Vietnamese, and Tagalog are the most prominent as illustrated in Figure A-1.

## Growth Trends
While only 26 percent businesses reported sales growth over the past two years, the vast majority of businesses (73 percent) plan to stay in Milpitas. In fact, most businesses plan to or have already expanded. This indicates that local-serving businesses in Milpitas are generally optimistic about the future potential of the community, despite recent setbacks in the regional economy.

## Customers

Businesses draw customers from well outside of Milpitas. The unweighted survey results show about 42 percent of resident spending coming from Milpitas residents. The other important markets point south into San Jose, with less significant support from the Tri-City area. At least 24 percent of the spending support for survey respondents comes from commuters who work in Milpitas and live outside of the city. In addition, close to 13 percent of the spending support comes from business-to-business activity.[1] Over 40 percent of restaurant customers are Milpitas workers who live out of town.

**FIGURE A-2**
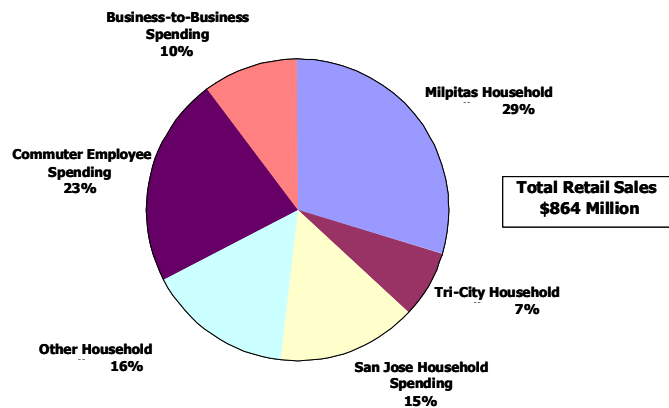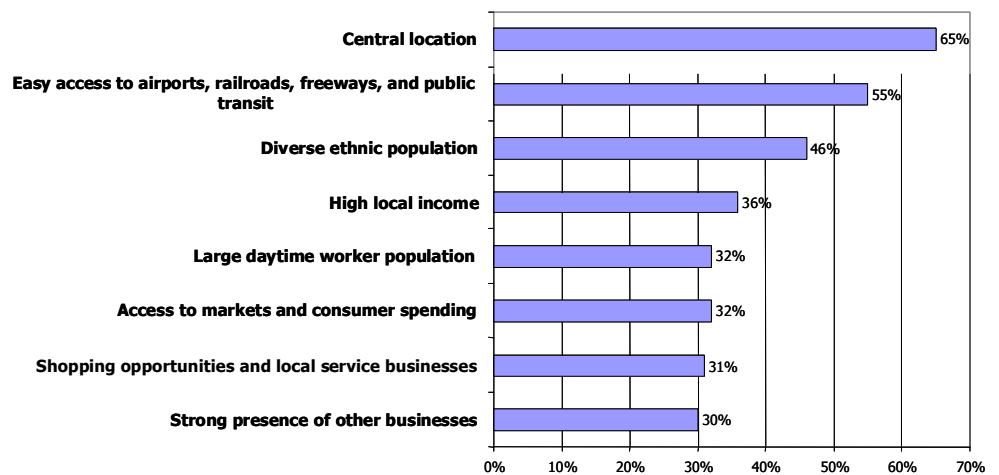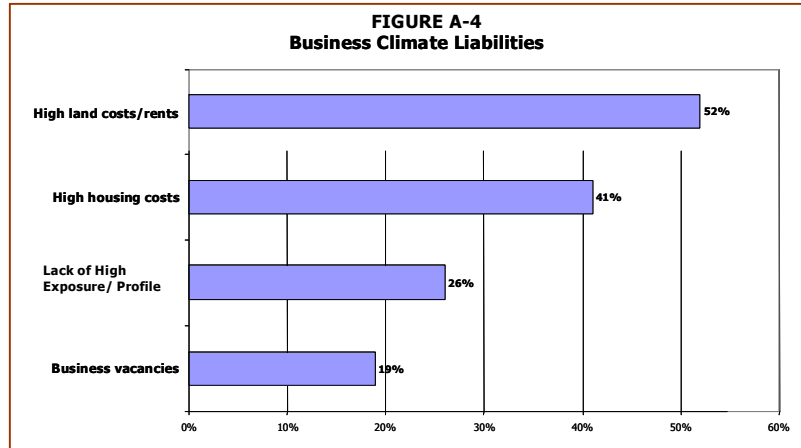**Distribution of Milpitas Retail Shoppers**



Business-to-Business Spending 10%
Milpitas Household 29%
Commuter Employee Spending 23%
Total Retail Sales $864 Million
Tri-City Household 7%
Other Household 16%
San Jose Household Spending 15%

**FIGURE A-3**
**Business Climate Assets**



| | |
|---|---|
| Central location | 65% |
| Easy access to airports, railroads, freeways, and public transit | 55% |
| Diverse ethnic population | 46% |
| High local income | 36% |
| Large daytime worker population | 32% |
| Access to markets and consumer spending | 32% |
| Shopping opportunities and local service businesses | 31% |
| Strong presence of other businesses | 30% |

[1] These numbers represent unweighted averages, and differ from the numbers used in the retail market analysis because those figures are weighted by individual business category and the retail sales data.

**FIGURE A-4**
**Business Climate Liabilities**

| Category | Percent |
|---|---|
| High land costs/rents | 52% |
| High housing costs | 41% |
| Lack of High Exposure/ Profile | 26% |
| Business vacancies | 19% |

## Promotion

The primary marketing method is word of mouth (82 percent of all respondents). The Internet, signage, and various forms of advertising represent the other prominent ways that businesses promote themselves.

About half of the businesses in the survey have a website. Members of the Chamber of Commerce represented a relatively small proportion of the respondents, with only 18 percent identifying themselves as members. Reasons given for not joining the Chamber include not enough time (26 percent) and not enough perceived value (22 percent).

## Workforce

The average number of workers at local businesses is greater than it was two years ago. In addition, businesses surveyed anticipate that they will add employees in the next two years.

About 36 percent of employees come from Milpitas, and about half of the workers come from San Jose and elsewhere in Santa Clara County. This indicates that local-serving businesses employ a higher proportion of local employment than "basic industries" do.

Housing affordability does not generally affect worker recruitment for the businesses surveyed. Worker recruitment is not a major obstacle for most businesses represented in the survey, presumably because the positions with local-serving businesses do not require specialized training and skills.

### Financing

Most businesses did not identify a need for financing in the next three years. Most businesses already have their own source of financing. A low-cost capital program for business expansion or capital improvements would draw interest from about half of the businesses.

### Business Climate

The most frequently cited business climate assets in Milpitas are central location, easy transportation access, and the diverse ethnic population. Other frequently cited assets include high local income, shopping opportunities, market access and consumer spending, large daytime worker base, strong presence of other businesses, quality of life, and growth potential.

The most frequently cited weaknesses in Milpitas are high land/rent costs and high housing costs. The other frequently cited weakness was lack of exposure/high profile.

The most frequently cited actions that should be taken to improve the business climate are to promote the City's image, provide assistance with financing, increasing available business space, being more sensitive to the needs of ethnic business owners, improving the business taxes, and to better inform businesses about public projects and services.

## EXECUTIVE INTERVIEWS

ADE interviewed senior-level executives from large and small Milpitas-based corporations to gain insights into the global forces that are driving change in their industries, understand their linkages with buyers and suppliers around the world, their expectations for future growth and the relative advantages of Milpitas as a business location. In all, ADE interviewed 12 executives representing corporations that employ over 12,000 people in Milpitas and over 145,000 worldwide. Of these, nine maintain their corporate headquarters in Milpitas.

Executives participating in interviews represent the following industries:

- Semiconductor design, fabrication, testing and quality control;

- Wireless communications equipment and devices;

- Electronic device engineering, design and manufacturing;

- Medical diagnostic equipment and supplies;

- Electronic data storage devices.

## MILPITAS' BUSINESS LOCATION ADVANTAGES

During the early growth years of locally based corporations, Milpitas offered relatively less expensive space for manufacturing, R&D, and support activities. That cost difference has disappeared somewhat, although relative to nearby communities of San Jose, Santa Clara, Fremont, and Mountain View, locating in Milpitas continues to offer cost advantages. Milpitas industrial sites are strategically located close to two major transportation corridors, I-880 and I-680, and the San Jose International Airport providing location advantages in terms of ease of distribution and access to a larger labor pool.

Most other location advantages of Milpitas are the same as for its neighboring communities within Silicon Valley. These include the Bay Area's favorable climate, social, cultural and recreational activities, and opportunities for lifelong learning. In addition they include easy access to:

- A large pool of highly skilled engineers, technicians and scientists;

- Financing

- Board members

- World class academic research institutions and their graduates throughout the Bay Area;

- A concentration of customers

- Specialized suppliers

- Three international airports

## TRENDS DRIVING CHANGE IN MILPITAS COMPANIES

### Growth In New Markets

As the economies of Asian nations improve, so does their purchasing power. Milpitas companies are finding that a

growing proportion, if not the majority, of their market is in Asian nations, especially India and China.
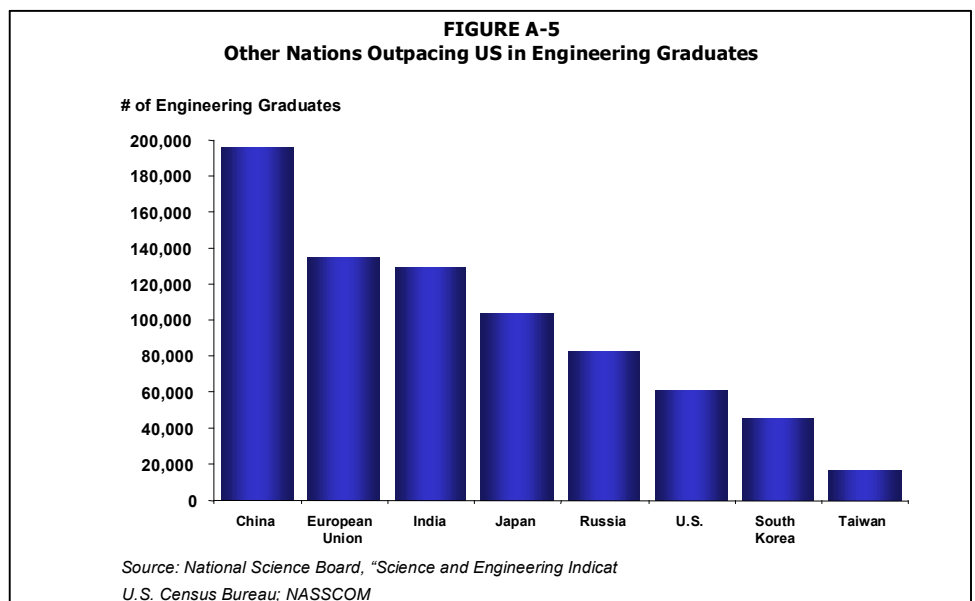
## Engineering And Manufacturing Costs

India and China's economic progress is partially a result of proactive industrial policies that promote foreign investment, industrial development and education. These countries and others–such as Singapore, Malaysia and South Korea–have invested heavily in economic infrastructure, including distribution, power, communications and water systems. They have also invested heavily in educating their workforce. Together, India and China educate more engineers and technicians than the US. The result of this proactive industrial policy is to lower the cost of design and manufacturing in Asia.

Well-known and successful corporations such as Samsung, Toshiba, and Sony that are based in Asia have profited from Asia's pro-business policies. In addition, American and European firms are also locating their design and manufacturing operations in Asia to profit from lower cost labor and other inputs. With competitors locating plants in Asia and benefiting from lower production costs, Bay Area firms are compelled to do likewise or risk losing customers to lower-cost producers.

## Decline In Engineering Graduates From American Universities

The growing economic prosperity in Asia provides opportunities for Asian engineers educated and trained in the

**FIGURE A-5**
**Other Nations Outpacing US in Engineering Graduates**

# of Engineering Graduates



Source: National Science Board, "Science and Engineering Indicat
U.S. Census Bureau; NASSCOM

U.S. to work in their native countries. American-based corporations are concerned about the relative decline in the number of engineering school graduates who choose to work in the U.S. This troubling trend is due to two phenomena. First, fewer U.S high school graduates are entering engineering programs at American colleges. Second, an increasing percentage of engineering program entrants and graduates are from other countries and choose to return to their homeland to work. More and more corporations are taking advantage of this trend by locating their engineering design centers overseas.

## Increasing Reliance On Global Design And Manufacturing Alliances

Non-recurring engineering costs make up a growing share of the total cost of developing a new product. Competitors enter newly established markets so quickly that a new product has less than a year to recoup the cost of its development before competitors' products eat into market share. The small time span of a firm's market dominance when a new product hits the market is driving companies to seek the most cost-effective means of design and prototype development. The need to innovate more quickly than competitors is driving the outsourcing of engineering design, prototype development and manufacturing suppliers. Maintaining strong alliances with specialized suppliers is key to a corporation's success as the suppliers are a corporation's major source of innovation.

While the concentration of these specialized suppliers in Silicon Valley allows easy access to necessary services, this location advantage may not last. With the increasing speed of data transfer and communications technology, and the increasing ease of worldwide travel, it is less and less important to be physically close to your suppliers. Instead, corporations obtain their supplies services from regions known for their specializations. For instance, Bangalore is known for its specialization in and high concentration of software engineers. This is also true for some parts of Russia. Malaysia and Singapore are known for their specialization in contract manufacturing of electronic components. Likewise, Silicon Valley is known mostly for its research and innovation. Producers meet their needs for specialized

suppliers from wherever it makes most sense; they are not limited by location.

## LOCAL BUSINESS OPERATIONS

For the most part, corporations based in Milpitas limit their locally based activities to research, product development, engineering, marketing, sales, customer service, finance, and risk management. Production related activities including manufacturing, assembly and distribution are, in large part, located outside of Silicon Valley, elsewhere in California, other parts of the U.S. or other countries. Employees are primarily professionals and administrative staff. Specially trained technicians provide engineering support, as well as equipment and machinery operation and maintenance. Silicon Valley's high real estate and housing costs make it an unfavorable location for manufacturing, assembly and logistics—activities that usually require large amounts of land and relatively lower cost labor.

## IMPLICATIONS FOR MILPITAS ECONOMIC PLANNING

### Declining Demand For Industrial Space

The demand for typical industrial space has probably peaked as more and more companies expand outside of Silicon Valley, especially their manufacturing and assembly operations. Instead, flexible space that will accommodate new and growing firms devoted to product development and that allows easy access to innovation services, such as patent attorneys, financial institutions and marketing and operations consultants, will grow in demand.

### Declining Demand For Production And Assembly Workers

Since manufacturing has moved to other regions, the local demand for machine operators and production workers has declined and will not increase again.

### Need For More Engineers

Recruitment and retention of selected types of engineers is a major issue for local corporations because they are limited in supply.

## Opportunity To Increase Supply Of Professional Office Space

The decline in demand for typical industrial space, which Milpitas has an over-supply of, together with the growth in professional and technical services, creates an opportunity for Milpitas to develop more Class A office space.

## Increasing Demand For Executive–Level Housing

Very high compensation packages allow workers to spend more on housing, driving the demand for homes with more amenities. Achieving jobs-housing balance could mean building housing that reflects the new Milpitas workforce.

## PUBLIC FORUM

On September 13th, the City of Milpitas hosted a special meeting at which all members of City Commissions were invited to discuss their goals for the City's economic development strategy. In all, 30 people attended, including local business people, commissioners and city staff. Following is a list of the categories in which there were two or more goal statements and the number of votes given to that category. It reflects the combined voting of both small groups. A full summary of the Public Forum is found in an Attachment to this Appendix.

Business Climate/Government-Business Interaction...... 23

Vibrant Downtown/City Center..........................................17

Education/Schools..............................................................14

Economic Mix:.....................................................................13

Image.....................................................................................5

Housing Affordability/Employment...................................5

Public Facilities...................................................................2

Quality of Life: Work Hours..............................................1

## SPECIFIC GOAL STATEMENTS FOR EACH CATEGORY

### Business Climate (23)
*Statements below are taken verbatim from participant's own goal statements*

- Provide and maintain the optimum environment for entrepreneurship and business growth so as to afford excellence in education, facilities, and public services.

- Support business start-ups and business expansion; facilitate global marketing; increase employment opportunities; streamline permitting process and make more predictable; make it possible for business to respond to changing economy

- The city government can help make business ideas and improvements happen quickly

- Milpitas government should be 50 percent smaller than it is now; results in lower taxes; more efficient government; land has been developed; computerized billing; caretaker government only.

- City policies and infrastructure that accommodate the changing economy.

- City policies that respect and promote home and work.

### Vibrant City Center/Downtown (17)
*Statements below are taken verbatim from participant's own goal statements*

- In 2010, the most vibrant attractive downtown in the Bay Area

- Downtown business where citizen can walk or take a light rail system to get around the city.

- Friendly downtown fast track Midtown Plan, especially library. RDA is a good source of funds to implement plan.

- Create vibrant customer-friendly city center

- Need vibrant downtown and access to the arts and music and drama

- Midtown is a magnet for people, shops up and down Main Street

- Merge International Center with Midtown Festivals celebrating diversity

- Combine trails, link Bay to the Hills

## Education/Schools (14)
*Statements below are taken verbatim from participant's own goal statements*

- By 2004 Milpitas will have school districts in the top 3 in the Bay Area

- By the year 2014, the Milpitas Unified School District will be funded at the same rate per pupil as the top performing school districts in the Bay Area. (i.e., funding for school $/pupil in Palo Alto has $40 million more; Palo Alto has $104 million while Milpitas has $60 million).

- The level of academic performance gets to the top 2 by 2020 in San Jose Metro area.

- Have all elementary schools at one high standard

- Top rank school in CA

## Economic Mix (13)
*Statements below are taken verbatim from participant's own goal statements*

- The optimum quantity of successful businesses of forging a bounty of higher income employment opportunities.

- A productive, balanced sustainable entrepreneurial healthy and meaningful economy

- To have all the necessary retail, office, residential, educational resources to support it's population by 2020.

- Milpitas shall be one of the cleanest, safest beautiful and most technologically advanced city with best schools and low unemployment rate.

- Milpitas is a family and entrepreneurial friendly community.

- Improve quality of life of its citizens this could be obtained through a creation of more apartments more employment through fair deal for these investors and businesses.

## Image (5)

*Statements below are taken verbatim from participant's own goal statements*

- To build an image of our city that will attract worldwide attention

## Public Facilities (2)

*Statements below are taken verbatim from participant's own goal statements*

- To have a full service hospital to service the South Bay by 2020: build a building to attract physicians, labs, physical therapy, doctor facilities; non-denominational facility; land and building to enable expansion of existing facilities.

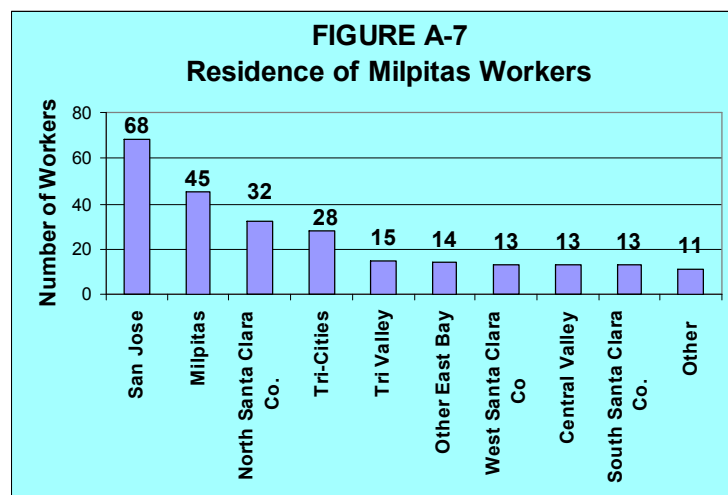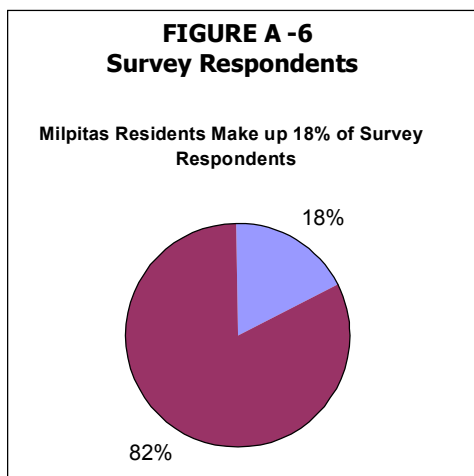- I would like to see a senior center like the ones in San Jose.

## Quality of Life (1)

*Statements below are taken verbatim from participant's own goal statements*

- Average working citizen says to have enough leisure time, work only 40 hours per week.

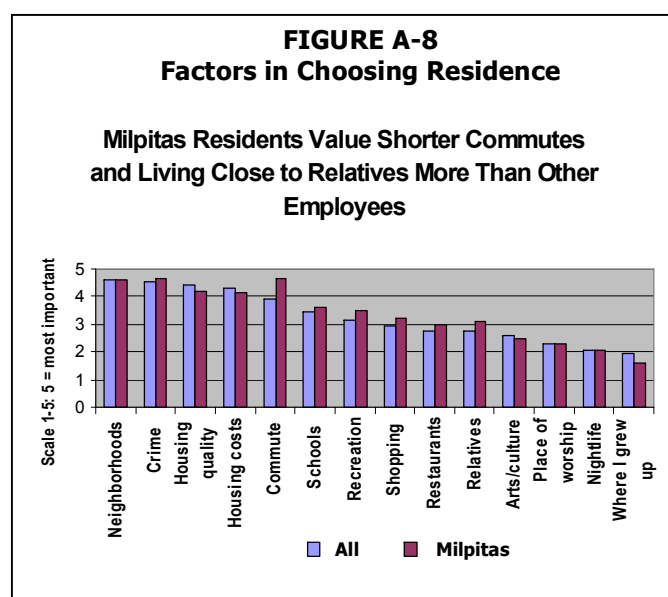- Unemployment rate is down to 4.1

## IMPLICATIONS OF PUBLIC FORUM FINDINGS.

The salient findings from the dialogue among the thirty participants at the Commissioners' Forum are: there is a strong desire to create a vibrant downtown or central commercial district; that a high quality K-12 education is important to families and to the city's image; and, creating a supportive business climate is conducive to economic vitality and higher employment rates. These findings will be used to help draft goal statements and strategic initiatives for the economic strategy.

**FIGURE A -6**
**Survey Respondents**

**Milpitas Residents Make up 18% of Survey Respondents**



**FIGURE A-7**
**Residence of Milpitas Workers**



# CORPORATE EMPLOYEE SURVEY

In conjunction with the development of this economic strategy, one Milpitas-based corporation conducted a survey of its employees to obtain information about their residential, shopping and workplace preferences. In all, 263 employees responded to the survey (see questionnaire at end of this Appendix, Attachment 5). Of these, 18% (45) live in Milpitas and 82% live elsewhere. Of those who live outside Milpitas, most live in either San Jose, northern Santa Clara County or in the Tri-Cities (Figure A-7). Thirty percent of commuters are from other regions including the Tri-Valley, other parts of the East Bay, western and southern Santa Clara County and the Central Valley (Figure A-7).

**FIGURE A-8**
**Factors in Choosing Residence**

**Milpitas Residents Value Shorter Commutes and Living Close to Relatives More Than Other Employees**

When asked the question, "Which factors were most important when choosing your current place of residence," the factors that ranked the highest for all respondents were: neighborhood quality; crime; housing quality; and housing costs. In comparison, Milpitas residents ranked shorter commutes higher than housing costs (Figure A-8).

While most employees considered living in Milpitas only a small percentage ended up doing so. When asked whether they even considered living in Milpitas, 59% of respondents said yes, while 41% said no.

On a scale of 1 to 5, survey respondents ranked their commute as the most favorable aspect of their Milpitas workplace. Less important were the crime rate, shopping, restaurants and recreation (Figure A-9).

**FIGURE A-9**
**Most Favorable Aspects of Milpitas**
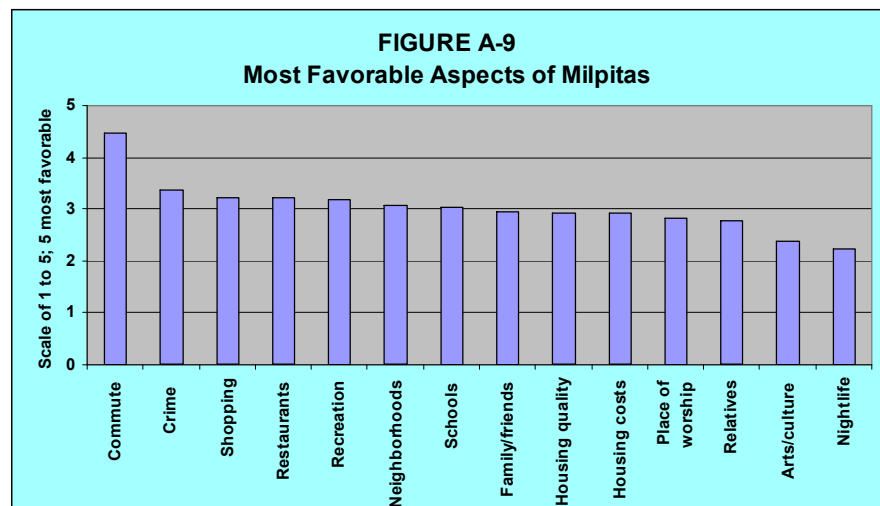


Commuters regularly patronize many types of Milpitas businesses. The types of businesses patronized often or sometimes were eating and drinking places, clothing and shoe stores, department stores, grocery stores and office supply stores (Figure A-10). When asked, "What in your opinion is most important to you in improving Milpitas as a place to work?" most respondents selected mass transit. Other high-ranking choices included increasing restaurant choices, improving parks and recreation and adding more upscale clothing stores (Figure A-11).

While Milpitas workers did not have strong feelings one way or another relative to The City's image, more thought the

City's image as a place to work was better than its image as a place to live.

**FIGURE A-10**
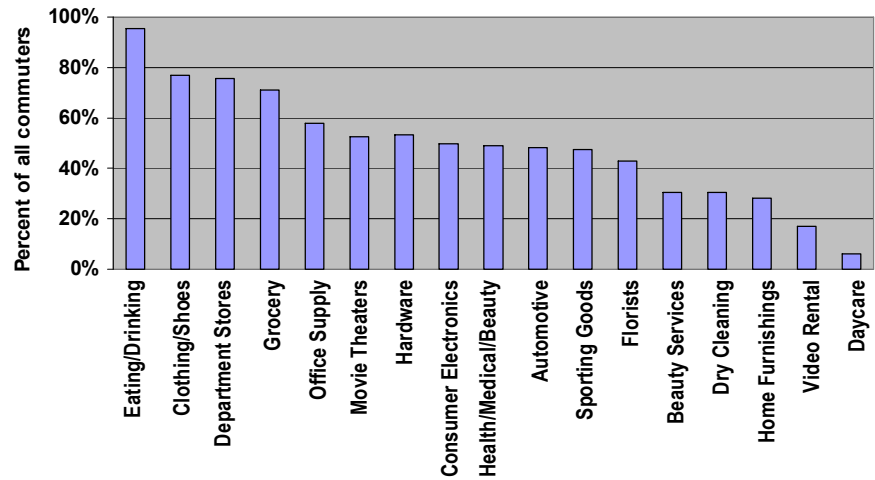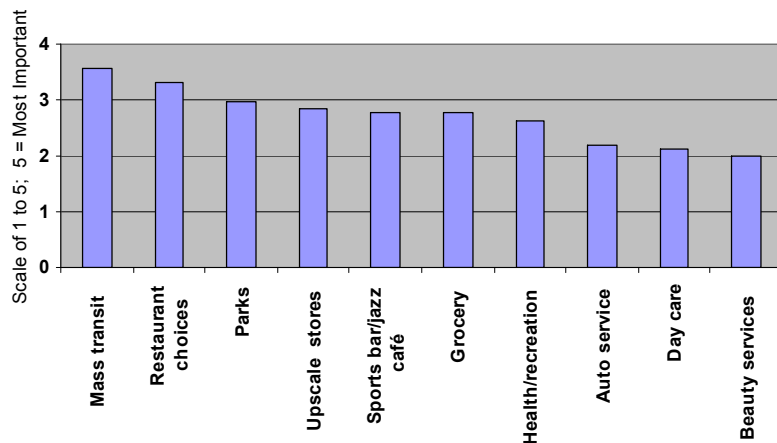**Businesses Patronized Often or Sometimes by Commuters**

Percent of all commuters

- Eating/Drinking — 95%
- Clothing/Shoes — 77%
- Department Stores — 76%
- Grocery — 71%
- Office Supply — 58%
- Movie Theaters — 53%
- Hardware — 53%
- Consumer Electronics — 50%
- Health/Medical/Beauty — 49%
- Automotive — 48%
- Sporting Goods — 47%
- Florists — 43%
- Beauty Services — 30%
- Dry Cleaning — 30%
- Home Furnishings — 28%
- Video Rental — 17%
- Daycare — 5%

**FIGURE A-11**
**Important to Improving Milpitas as a Place to Work**

Scale of 1 to 5; 5 = Most Important

- Mass transit — 3.6
- Restaurant choices — 3.3
- Parks — 3.0
- Upscale stores — 2.85
- Sports bar/jazz café — 2.8
- Grocery — 2.8
- Health/recreation — 2.6
- Auto service — 2.2
- Day care — 2.1
- Beauty services — 2.0

## ATTACHMENTS

Local Business Survey Responses

Major Employer Survey Responses

Persons Interviewed

Public Forum Handout

Public Forum Summary

# CITY OF MILPITAS LOCAL BUSINESS SURVEY

Thank you for taking the time to respond to this business improvement survey. This survey will serve as an important part of developing a strategic plan for economic development in the City of Milpitas. The results for this survey will identify areas that would help improve business conditions for local businesses.

This survey will take about five to ten minutes to complete. If you need more space, attach additional sheets. When completed, please send it back in the attached preaddressed envelope. Individual responses will remain confidential.

If you have any questions regarding this survey please contact Cynthia Maxwell, City of Milpitas at (408) 586-3282 or cmaxwell@ci.milpitas.ca.gov.

CONTACT INFORMATION (Optional)
Company Name:
Contact/Title:
Address
City:                          State:                          ZIP Code:
Phone:                         Fax:
E-mail address:

❑ Check this box if you would like more information on how to further participate in the City's strategic planning process.

GENERAL INFORMATION

> ### Quick Facts
> - Milpitas has over 700 major retail stores and local service establishments.
> - Milpitas' retail trade is anchored by six community and regional shopping centers, along with numerous neighborhood retail cetnters and commercial districts.

1. How long have you been in business at this location? N = 133
a)  less than 1 year  9%
b)  1 to 3 years  21%
c)  3 to 5 years  18%
d)  over 5 years (specify) 52%

2. What type of business do you operate? N = 132
a)  Retail store (specify)  30%
b)  Sit-down restaurant  8%
c)  Fast food/take out restaurant  9%
d)  Personal services (specify)  14%
e)  Professional services (specify)  28%
f)  Mail order business with no storefront  0%
g)  Other (specify)  11%

3. **Is your business a unique establishment or part of a chain/franchise? N = 130**
a) This business is a unique establishment and owned by a resident of Milpitas.  25%
b) This business is a unique establishment, and the owner lives elsewhere in the Bay Area.  46%
c) This business is a unique establishment, and the owner lives outside the Bay Area.  3%
d) Yes, this business is part of a regional chain/franchise.  6%
e) Yes, this business is part of a national chain/franchise.  12%
f) Other (please indicate)  6%

4. **Do you own or lease your business space? N = 133**
a) own  13%
b) lease  87%

5. **If you lease, what is your current monthly lease rate? $ 6,476 (mean), $3,402 (median)**

6. **If leasing your current space, how much time do you have left on your current lease? N = 111**
a) lease on a month to month basis  9%
b) less than 12 months  9%
c) between 1 year and 3 years from now  30%
d) more than 3 years from now  52%

7. **What is the size of your space? 5,930 square feet (mean), 1,800 square feet (median)**

8. **Is there room for expansion in your current space?  N = 128**
a) Yes  17%

9. **Besides English, in what other languages do you conduct business? FULL SAMPLE**
a) Cantonese  18%
b) Hindi  3%
c) Korean  5%
d) Mandarin  25%
e) Spanish  27%
f) Tagalog  16%
g) Vietnamese  21%
h) Other (specify) Taiwanese 2%, Farsi 1%, Japanese 2%, Portugese 2%, Thai 1%

10. **Do you use a computer for your business? FULL SAMPLE**
a) yes 73%

11. **Does your business have Internet access? FULL SAMPLE**
a) yes 65%

## RECENT TRENDS AND EXPANSION PLANS

| Quick Facts |
| --- |
| ■ Milpitas' overall retail sales nearly doubled between 1993 and 2003 (adjusted for inflation). |
| ■ In 2003, Milpitas' retail and other local serving businesses contributed nearly $8 million of sales tax to fund essential public services. |

12. **How do you perceive your recent sales trends? N=126**
a) Significant growth (more than 10% annual growth)  13%
b) Moderate growth (less than 10% annual growth)  13%
c) Minimal change  28%
d) Moderate decline (less than 10% annual decline)  20%
e) Significant decline (more than 10% annual decline)  26%

13. **What are your business location intentions during the next three years? (Check the answer that best applies to your business)  N=133**
a) intend to continue operating at my current business location.  73%
b) intend to move elsewhere in Milpitas  4%
c) expect a rent or lease price increase that will make it difficult to continue operating at this location  10%
d) would like to expand the business but cannot expand at this site  8%
e) would like to move to another location in Milpitas but there is no suitable space  2%
f) would like to move to another location in Milpitas but costs are too high  3%
g) might move out of Milpitas  3%
h) Other (please indicate) _____

14. **If looking for a new business location, what type of space are you looking for?  N=71**
a) Retail space (shopping center)  46%
b) Retail space (other location)  15%
c) Office space (shopping center)  11%
d) Office space (other location) 14%
e) Other (specify)  11%

15. **If looking for a new business location, how much space do you anticipate needing? (square feet)  3,000 (mean), 2,000 (median)**

16. **Has your business expanded or have you planned to expand? (includes physical expansion, new services/retail categories, relocation, additional employees, etc.) N=125**
a) Yes, my business has already expanded  30%
b) Yes, I plan to expand my business in the next _____ years (specify)  30% (Average 2.3 years)
c) No  40%
**If no, why not?**

17. **If your business has expanded or plans to expand, what types of expansion have you completed or plan to complete?  FULL SAMPLE**
a) Physical expansion on same site  18%
b) New services and/or new retail products  24%
c) Relocation to different site  12%
d) Other (specify) _____

18. **If your business has done or will do capital or other business improvements, what types of actions have you completed or plan to complete?  FULL SAMPLE**
a) Hired new employees  36%
b) Streamlined business practices  18%
c) Increased use of technology  27%
d) Interior remodeling  31%
e) Facade improvement  2%
f) Structural improvements  5%
g) New equipment  38%
h) Other (specify)

# CUSTOMERS

> ## Quick Facts
> - Milpitas residents spend nearly $400 million a year at retail stores.
> - Residents within a 15-minute drive of Milpitas along the 680 and 880 corridors spend nearly $3 billion at retail stores every year.
> - In addition, Milpitas' 2,700 hotel rooms host thousands of overnight visitors every year.

19. Please estimate the percentage of your sales to each group of customers listed below. Answers should be estimates based on your knowledge of the customer mix. There is no need to review any accounting records. UNWEIGHTED AVERAGE OF RESPONSES (RETAIL ANALYSIS FINDINGS WEIGHTED BY BUSINESS TYPE AND SALES DATA)

42 %    Milpitas residents

11%    Tri-City (Fremont, Newark, and Union City area) residents

14 %    North San Jose (Berryessa, Alum Rock, other 680 corridor) residents

10 %    Other San Jose residents

8 %    Other Santa Clara County (Santa Clara, Sunnyvale, Mountain View) residents

2%    San Mateo County residents

3%    Tri-Valley (Dublin, Pleasanton, Livermore) residents

1.5%    Other Bay Area residents (specify)_____

1%    Central Valley residents

0.5%    Overnight visitors to Milpitas staying in local hotels

2%    Other California residents

2%    Other U.S. residents

1%    International

2%    Other customers (specify)_____

   100 %        TOTAL

20. About what percentage of your customers are commuters who work in Milpitas and live elsewhere?  24% (low) 30% (high)

21. About what percentage of your customers are other businesses? 13% (low) 22% (high)

# BUSINESS PROMOTION

> ## Quick Facts
> - Local and regional business organizations that provide support services and networking opportunities to Milpitas businesses include the following organizations:
> - Milpitas Chamber of Commerce
> - Vietnamese-American Chamber of Commerce
> - Taiwanese-American Chamber of Commerce
> - Hispanic Chamber of Silicon Valley
> - Milpitas Downtown Business Association
> - Joint Venture: Silicon Valley

**22. Which of the following do you use to promote your business? FULL SAMPLE**

a)   Word of mouth  82%
b)   Window banners and signs  46%
c)   Brochures  31%
d)   Mailers  29%
e)   Advertise in newspaper (specify) 40%
f)   Radio ads  10%
g)   Television ads  10%
h)   Phonebook ads  35%
i)   Internet  40%
j)   Chamber of Commerce events  6%
k)   Event sponsorships (specify)  8%
l)   Other (please indicate) 10%

**23. Does your business have a Web site? FULL SAMPLE**

a)   Yes 46%

**If not, would you like to have a Web site? FULL SAMPLE**

a)   Yes  23%

**24. Approximately how much of your sales are generated through Internet sales? 5% (mean), 0% (median)**

**25. Are you currently a member of the Chamber of Commerce?  FULL SAMPLE**

a)   Yes 18%

**If no, why not?  FULL SAMPLE**

a)   Not enough time  26%
b)   High expense  6%
c)   Not enough value for the money  22%
d)   Other (specify) 10%

**26. Are you aware of any special events designed to promote Milpitas?  FULL SAMPLE**

a)   Yes 24%

**If yes, which ones are you aware of?**

Art & Wine Festival 7%, Chamber events 2%, cultural events 2%, Milpitas Days 1%

# WORKFORCE

| Quick Facts |
| --- |
| ■   Milpitas has a daytime workforce of nearly 100,000 employees, most of whom commute to Milpitas from other communities. |
| ■   Among Milpitas' 30,000 employed residents, about 6,000 of them work in Milpitas. |

**27.     How many employees work at this location (annual average) currently and how many do you expect two years from now? UNWEIGHTED AVERAGE OF RESPONSES**

|  | Two Years Ago | Now | Two Years From Now |
| --- | --- | --- | --- |
| Full Time | 5.3 | 5.7 | 6.5 |
| Part Time | 3.4 | 4.5 | 4.6 |

28. What percentages of your current employees live in the area? You do not need to check your employment records – just fill out to the best of your knowledge. (total should equal 100%)  UNWEIGHTED AVERAGE OF RESPONSES

36 %      Milpitas

11 %      Tri-City (Fremont, Newark, Union City) area

21%       North San Jose (Berryessa, Alum Rock, and 680 corridor)

19%       Other San Jose

6%        Other Santa Clara County (Santa Clara, Sunnyvale, Mountain View area)

2%        San Mateo County

1%        Tri-Valley Area (Pleasanton, Dublin, Livermore)

0.7%      Other Bay Area (specify)

0.6 %     Central Valley

0.9%      Other (specify)

   100 %            TOTAL


29. Does a lack of affordable housing affect your ability to attract workers?  FULL SAMPLE
a)    Yes  30%


30. Are you able to recruit the skilled workforce you need locally?  FULL SAMPLE
a)    Yes  74%


## FINANCING

| Quick Facts |
| --- |
| ■    Small Business Administration loans are available to qualified Milpitas businesses. |
| ■    Other resources such as the Silicon Valley Small Business Development Center can provide assistance to all Milpitas business owners. |


31. Does your business or will your business have a need for bank/commercial financing in the next three years?  FULL SAMPLE
a)    Yes  34%


32. Has your business experienced problems gaining access to financing?  FULL SAMPLE
a)    Yes 18%


33. Does your business currently have access to financing? FULL SAMPLE
a)    Yes  57%


34. If a low cost source of capital were available for business expansion or capital improvements, would you use it?  N = 121
a)    Yes  52%
b)    If yes, how would you use the capital? (specify)
c)    No  47%

35. Would you add new employees with additional funding? N = 126
a)   Yes  37%
b)   No  33%
c)   Don't know  31%
If yes, how many new employees would you hire? (specify) 3.2 (mean), 2 (median)

## BUSINESS CLIMATE ISSUES

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### Quick Facts
■   The average annual household income in Milpitas is $99,000
■   Milpitas households spend nearly $400 million annually at retail stores, while Milpitas retailers generated over $850 million in sales in 2003.

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36. What are the primary strengths of Milpitas as a place to do business? FULL SAMPLE

❑ Central location  65%
❑ Easy access to airports, railroads, freeways, and public transit  55%
❑ Access to markets and consumer spending 32%
❑ High local income  36%
❑ Diverse ethnic population  46%
❑ Shopping opportunities and local service businesses  31%
❑ Spending from customers outside of Milpitas 26%
❑ Large daytime worker population  32%
❑ Strong presence of other businesses  30%
❑ Work force availability  7%
❑ Quality of local labor force  12%

❑ General business climate  24%
❑ Commitment of local government to solve problems  8%
❑ Diverse and healthy local economic base  18%
❑ Land costs/rents  17%
❑ Housing costs  12%
❑ Arts presence  3%
❑ Recreation activities  6%
❑ Community involvement  11%
❑ Education  10%
❑ Area growth potential  28%
❑ Quality of life  29%
❑ Other (specify)

37. What are the primary weaknesses of Milpitas as a place to do business? FULL SAMPLE

❑ Distance from markets  8%
❑ Distance from supplier businesses  7%
❑ Local business regulations  10%
❑ Shopping opportunities and local business services  8%
❑ Transportation access  15%
❑ Lack of exposure/high profile 38%
❑ Problems with local government unable to solve problems  10%
❑ Work force availability  11%
❑ Quality of local labor force  10%
❑ General business climate 11%
❑ Blight and area maintenance  5%
❑ High land costs/rents  52%
❑ High housing costs  41%
❑ Lack of arts presence  5%
❑ Lack of recreation activities  7%
❑ Lack of growth potential  10%

❑ Business vacancies  19%
❑ Community apathy  2%
❑ Education  7%
❑ Quality of life  3%

38. In what areas should Milpitas take action to improve the business climate? (check up to five of the most important responses) FULL SAMPLE

❑ Permit assistance  18%
❑ Clean-up and maintenance of public areas
  14%
❑ Business taxes (compared to other locations)
  21%
❑ Promoting the city's image  38%
❑ Financing  22%
❑ Improving the quality of the labor force  12%
❑ More available retail business space  22%
❑ Better inform businesses about public projects
  and services  14%
❑ Education/job training  14%
❑ Increase cultural arts initiatives  7%
❑ More sensitive to the needs of ethnic minority
  business owners  24%
❑ Develop more park and recreation
  facilities/programs  16%
❑ Other (specify)

40. Is there anything government can do to assist your business and ensure that you remain in Milpitas?  FULL SAMPLE
a)    Yes 28%
If yes, what can be done? (specify)

| | |
|---|---|
| financial assistance | 3% |
| promotion | 3% |
| lower rent | 2% |
| assistance with landlords/property managers | 1% |
| job attraction | 1% |
| less regulation | 1% |
| lower fees | 1% |
| not sure | 1% |
| better signage | 1% |
| cost reductions | 1% |
| fix the smell | 1% |
| flood control project | 1% |
| more business from city workers | 1% |
| more business space | 1% |
| more equitable sales tax | 1% |
| more parks and cultural activities | 1% |
| more police protection | 1% |
| pay attention to needs of small businesses | 1% |
| redevelopment | 1% |
| relocation assistance | 1% |
| seasonal decorations | 1% |
| sewer plant | 1% |

41. Are there any suppliers, vendors, or other businesses located outside Milpitas that would help your business if they were closer?  FULL SAMPLE
a)    Yes 13%
If yes, what types of suppliers would you like to see located closer to Milpitas? (specify)

| | |
|---|---|
| food service suppliers | 4% |
| Costco | 2% |
| art suppliers | 1% |
| light manufacturers | 1% |
| more supermarkets | 1% |

This concludes the survey.  Please return the survey in the enclosed self-addressed business reply envelope.

Thank you very much for participating!  The survey results will be posted at a later time on the City's web page at www.ci.milpitas.ca.gov

# MILPITAS MAJOR EMPLOYER SURVEY

The City of Milpitas has retained Applied Development Economics to assist them in creating an economic strategic plan. The purpose of the strategic plan is to identify and then set priorities for the City's economic development activities. Some of the issues already identified include improving the city's quality of life and business environment and increasing the proportion of Milpitas workers who reside in Milpitas

As of 2000, there were 58,000 jobs in Milpitas. Of those, only 6,000 were filled by Milpitas residents. The City is interested in working with its major employers to better understand what factors workers consider in choosing a place to live, work and shop. The information gained from the following survey will help the City to create appropriate policies to increase the opportunities for workers to both live and work in Milpitas.

**1. What is your HOME zip-code?** __  __  __  __  __

**2. At the time you chose your current place of residence, what factors were most important? Please rate the following factors: 5 for most important, 1 for least.**

|  | Very important | | Somewhat important | | Not at all important |
|---|---|---|---|---|---|
|  | 5 | 4 | 3 | 2 | 1 |
| Grew up in Milpitas | 22 | 22 | 28 | 12 | 155 |
| Travel time to work | 104 | 75 | 42 | 19 | 14 |
| Cost of housing | 145 | 67 | 28 | 5 | 10 |
| Housing options and quality | 150 | 70 | 22 | 4 | 5 |
| Neighborhood quality | 173 | 66 | 12 | 2 | 2 |
| Crime rate and safety | 166 | 64 | 18 | 3 | 1 |
| Quality of schools (K thru 12) | 117 | 25 | 33 | 17 | 62 |
| Location of relatives | 41 | 46 | 51 | 29 | 83 |
| Location of place of worship | 24 | 36 | 44 | 25 | 120 |
| Shopping | 25 | 62 | 83 | 40 | 43 |
| Restaurants | 26 | 50 | 73 | 47 | 56 |
| Parks and recreation | 36 | 67 | 87 | 27 | 35 |
| Nightlife | 15 | 16 | 51 | 59 | 111 |
| Lively arts, theatres, cultural institutions | 13 | 49 | 75 | 45 | 68 |

Other _____

**3. Have you ever considered Milpitas as a place to live?**

165 - Yes          106 - No          2 – N/A

## 4. Please rate Milpitas on the following factors.

| | Favorable | | Neutral | | Unfavorable |
|---|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 |
| Close to family and friends | 45 | 36 | 92 | 32 | 54 |
| Travel time to work | 187 | 35 | 17 | 6 | 14 |
| Cost of housing | 26 | 47 | 107 | 40 | 40 |
| Housing options and quality | 21 | 52 | 103 | 47 | 33 |
| Neighborhood quality | 9 | 53 | 103 | 42 | 26 |
| Crime rate and safety | 38 | 53 | 132 | 19 | 11 |
| Quality of schools (K thru 12) | 23 | 40 | 134 | 38 | 18 |
| Location of relatives | 29 | 37 | 100 | 26 | 65 |
| Location of place of worship | 20 | 24 | 145 | 21 | 41 |
| Shopping | 34 | 77 | 87 | 25 | 32 |
| Restaurants | 34 | 80 | 79 | 39 | 26 |
| Parks and recreation | 35 | 53 | 110 | 36 | 19 |
| Nightlife | 6 | 3 | 97 | 53 | 82 |
| Lively arts, theatres, cultural institutions | 7 | 23 | 95 | 55 | 69 |

Other _____

## 5. Which types of Milpitas businesses do you personally patronize? Check all that apply.

| | Often | Sometimes | Never |
|---|---|---|---|
| | 3 | 2 | 1 |
| Automotive supply and services | 33 | 110 | 111 |
| Beauty services | 33 | 62 | 152 |
| Clothing and shoes | 74 | 135 | 46 |
| Consumer electronics | 42 | 104 | 108 |
| Day care | 11 | 15 | 225 |
| Department stores | 64 | 139 | 53 |
| Dry cleaning | 19 | 72 | 160 |
| Eating and drinking places | 134 | 118 | 4 |
| Florists | 14 | 110 | 127 |
| Grocery | 71 | 127 | 58 |
| Hardware | 46 | 110 | 127 |
| Health, medical and beauty supplies | 101 | 43 | 108 |
| Home furnishings and appliances | 14 | 77 | 159 |
| Movie theatres | 55 | 102 | 97 |
| Office supply | 42 | 123 | 90 |
| Sporting goods | 27 | 116 | 111 |
| Video rental | 31 | 42 | 180 |

**6. What, in your opinion, is most important to you in improving Milpitas as a place to work.**

|  | Very important | Somewhat important |  |  | Not at all important |
| --- | --- | --- | --- | --- | --- |
|  | 5 | 4 | 3 | 2 | 1 |
| Auto dealerships and service | 26 | 26 | 52 | 26 | 118 |
| Better mass transit options | 101 | 39 | 44 | 18 | 44 |
| Day care | 26 | 22 | 41 | 29 | 129 |
| Health clubs, sports center, recreational facilities | 26 | 53 | 50 | 35 | 82 |
| More choice for beauty services and day spas | 11 | 17 | 54 | 43 | 120 |
| More choices in grocery shopping | 39 | 44 | 57 | 34 | 72 |
| More choices in places to eat | 49 | 84 | 56 | 14 | 44 |
| Parks | 31 | 66 | 66 | 28 | 55 |
| Sports bar/jazz café, other after-work gathering spots | 39 | 54 | 46 | 32 | 77 |
| Upscale clothing and shoe stores | 39 | 56 | 51 | 28 | 74 |
| Other_____ | | | | | |

**7. In your opinion, how does Milpitas compare with other Bay Area cities in terms of its IMAGE as a place to live, work or shop.**

|  | Favorable | Neutral |  |  | Unfavorable |
| --- | --- | --- | --- | --- | --- |
|  | 5 | 4 | 3 | 2 | 1 |
| Live | 34 | 46 | 85 | 55 | 33 |
| Work | 54 | 77 | 98 | 17 | 8 |
| Shop | 33 | 49 | 95 | 45 | 31 |

## THANK YOU FOR YOUR TIME

# ATTACHMENT 3: PERSONS INTERVIEWED

David London, Government Relations, Cisco

Dhaval J. Brahmbhatt, Economic Development Commission

Diane McDonough, Economic Development Commission

Donald Peoples, Economic Development Commission

Dr. Karl N. Black, Ed.D.,
Economic Development Commission

Frank De Smidt, Economic Development Commission

Gregory Hines, Government Relations, Solectron

John Viera, Director of Human Resources, Maxtor

Kevin Brett, Senior Vice President of Operations, LSI Logic

Linda Thompson, Director of Human Resources, Adaptec

Lothar Maier, Chief Operating Officer, Linear Technology

Michael Pham, Economic Development Commission

Michael Whelan, Director of Human Resources, LifeScan

Mike Liberatore, The Mills Corporation

Nicky Wu, CEO and President, Proto Services, Inc.

Ray Maglalang, Economic Development Commission

Scott Tiraschi, Vice-President, Real Estate, KLA Tencor

Tom Baker, Director of Human Resources, palmOne

Vinay Chandran, Vice President, Spectra Innovation

Vince Songcayawon, Economic Development Commission

# ATTACHMENT 4:  PUBLIC FORUM HANDOUT

# MEMORANDUM

**To**:      Cindy Maxwell, City Manager's Office

**From:**   Kathie Studwell, ADE

**Copy:**   Doug, Wes, Peter of ADE

**Date:**   September 21, 2004

**Re**:      Economic Strategy: Summary of Sept. 13 Commissioners' Forum

The Economic Development Commission (EDC) hosted a forum with City Commissioners on September 13th as a means of soliciting input on the goals for the city economic strategy.

In all, 30 people attended the forum, including the Mayor, Vice-Mayor and 9 EDC members and City Staff. Attendees were all asked to sign in and were given a Meeting Handout that included the forum agenda, the foundations of economic development, the definition of a good goal statement and a set of charts that benchmark Milpitas to other Bay Area cities.

Following introductory remarks by the Mayor and Chair of the EDC, participants were given a brief overview that included a description of the economic strategy planning process to date, a summary of the foundations of economic development and the goals of the forum. Participants were then divided into groups of about a dozen people each. Each group was facilitated by two members of the Applied Development Economics (ADE) consulting team.

Participants were asked to take about 3 to 5 minutes to write down their goal for economic development in Milpitas on the large Post-It note provided in their Handout. At the end of the 5 minutes, participants were asked to read their goal aloud to their group and hand their Post-It note to a facilitator for placement on the flip-chart. In return, the facilitator handed the participant three dots that would be used to vote for highest priority goals at the end of the meeting.

After everyone in the group read their goal aloud, the facilitator encouraged discussion about the goal statements. This was their opportunity to ask for clarification or give more detail about their own goal. Following about 15 to 20 minutes of discussion, the facilitators worked with their small group to combine goal statements into categories. So, if two or more participants wrote similar goal statements they would be grouped together. For instance, all goal statements about education were grouped together as were all goal statements about downtown or midtown development. When participants were satisfied that all goals that could be placed into categories were, they were asked to place each of their three dots on their top three goal statements or categories. They were instructed to place only one dot on each goal statement or category.

Following is a list of the categories in which there were two or more goal statements and the number of dots placed next to that category. It reflects the combined voting of both small groups.

Business Climate/Government-Business Interaction:  23

Vibrant Downtown/City Center : 17

Education/Schools:      14

Economic Mix:          13

Image: 5

Housing Affordability/Employment:  5

Public Facilities: 2

Quality of Life: Work Hours:  1

Specific goal statements for each category.

**Business Climate (23)**

- To provide and maintain the optimum environment for entrepreneurship and business growth so as to afford excellence in education, facilities, and public services.

- Support business start-ups and business expansion; facilitate global marketing; increase employment opportunities; streamline permitting process and make more predictable; make it possible for business to respond to changing economy

- The city government can help make business ideas and improvements happen quickly

- Milpitas government should be 50% smaller than it is now; results in lower taxes; more efficient government; land has been developed; computerized billing; care-taker government only.

- City policies and infrastructure that accommodate the changing economy.

- City policies that respect and promote home and work.

**Vibrant City Center/Downtown (17)**

- In 2010, the most vibrant attractive downtown in the Bay Area

- Downtown business where citizen can walk or take a light rail system to get around the city.

- Friendly downtown fast track Midtown Plan, especially library. RDA is a good source of funds to implement plan.

- Create vibrant customer-friendly city center

- Need vibrant downtown and access to the arts and music and drama

- Midtown is a magnet for people, shops up and down Main Street

- Merge International Center with Midtown Festivals celebrating diversity

- Combine trails, link Bay to the Hills

## Education/Schools (14)

- By 2004 Milpitas will have school districts in the top 3 in the Bay Area

- By the year 2014, the Milpitas Unified School District will be funded at the same rate per pupil as the top performing school districts in the Bay Area. (ie, funding for school $/pupil in Palo Alto has $40 million more; Palo Alto has $104 million while Milpitas has $60 million).

- The level of academic performance gets to the top 2 by 2020 in San Jose Metro area.

- Have all elementary schools at one high standard

- Top rank school in CA

## Economic Mix (13)

- The optimum quantity of successful businesses of forging a bounty of higher income employment opportunities.

- A productive, balanced sustainable entrepreneurial healthy and meaningful economy

- To have all the necessary retail, office, residential, educational resources to support it's population by 2020.

- Milpitas shall be one of the cleanest, safest beautiful and most technologically advanced city with best schools and low unemployment rate.

- Milpitas is a family and entrepreneurial friendly community.

- Improve quality of life of its citizens this could be obtained through a creation of more apartments more employment through fair deal for these investors and businesses.

**Image (5)**

- To build an image of our city that will attract worldwide attention

**Public Facilities (2)**

- To have a full service hospital to service the South Bay by 2020: build a building to attract physicians, labs, physical therapy, doctor facilities; non-denominational facility; land and building to enable expansion of existing facilities.

- I would like to see a senior center like the ones in San Jose.

**Quality of Life (1)**

- Average working citizen says to have enough leisure time work only 40 hours per week.

- Unemployment rate is down to 4.1

The input from the Commissioners' Forum will be used to help draft goal statements and strategic initiatives for the economic strategy.

# APPENDIX B: ECONOMIC BASE ANALYSIS

## INTRODUCTION

Milpitas is an integral part of the Silicon Valley economy. This region has been in the midst of a significant economic transformation, with notable shifts in employment over the past few years. Although the region saw tremendous employment growth during the 1990s, employment in the area declined more recently. The economy in Santa Clara County is well represented in numerous industry sectors, however its areas of strength remain tied to technology-based industries.

This appendix will overview the economic dynamics that affect Milpitas' economy, with a specific focus on the industry clusters that are the primary drivers of the regional economy. An industry cluster represents a comprehensive grouping of interrelated industries, comprised of both core and supplier industries. New employment opportunities will start from a region's existing and emerging strengths, or "clusters".

Using this approach, the analysis will identify those parts of the economy that currently serve as the region's economic foundation and further examine those specific industries that have fared better than others during the overall economic downturn. Even though the continued population growth alone will generate some employment growth throughout the region, this analysis will focus on export-oriented industries that do not primarily serve a local market. These are referred to as "basic industries."

The industry clusters selected for this analysis represent the base of the regional economy and the grouping of industries that have historically represented the highest concentration of employment and wealth creation. These clusters have been defined and tracked by Joint Venture: Silicon Valley,[2] and the analysis specifically focuses on how those clusters fit in with Milpitas' driving industries. Cluster definitions can be found in Attachment B-1 of this Appendix. The industry clusters that this report will analyze include the following:

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[2] *Joint Venture :Silicon Valley Network*, 84 W. Santa Clara Clara Street, Suite 440, San Jose, CA 95113-1820

- Computer hardware

- Semiconductors

- Electronic components

- Software

- Biomedical

- Innovation services

- Creative Services

- Corporate offices

## INDUSTRY CLUSTER ANALYSIS

A city or region's economic base is comprised of industries that primarily export their products or services. Payments for these goods and services come back to the city or region and are used to pay for wages and supplies. The healthier these industries, as measured by their sales and profits, the greater their ability to create wealth for the region. A city's economic base can be sub-divided into clusters according to the nature of their inter-dependencies, or their buying and selling behavior. An industry cluster is a concentration of interdependent firms in related industries within a particular geographic region. In Milpitas's case there are five clusters. These are computer and communications hardware; semiconductors; electronic components; software; and, bio-medical. The component industries included in each cluster are listed in the attachments to this appendix, "Cluster Definitions."

While total employment in Milpitas is nearly 56,000, cluster employment makes up approximately 46 percent or about 28,900—an enviable position for any city. Milpitas is clearly not lacking in high quality jobs for its residents.

## COMPUTER HARDWARE

In 2002, the computer hardware manufacturing cluster employed over 6,300 workers, about 11 percent of Milpitas' total employment. Computer hardware cluster employment is highly concentrated in Milpitas, about 20 times more so than

in the United States as a whole (LQ=20.88)[3] and is growing faster than in the rest of the nation (shift-share is 2.0%)[4]. Milpitas-based companies in this cluster include Adaptec, Maxtor, Palm One, all headquartered in Milpitas, as well as Cisco and Seagate. The cluster is comprised of the following seven industries:

- Electronic computer
- Computer storage device
- Computer terminal
- Other computer peripheral equipment
- Telephone apparatus
- Broadcast and wireless communications equipment
- Other communications equipment

Business activity conducted in Milpitas includes engineering and design, sales and marketing, finance, human resources, facilities management, and legal services. Manufacturing occurs in other locations or overseas. Key issues affecting the competitiveness of this cluster include a shortage of engineers in key areas of product development and access to affordable housing for employees. It is unlikely that existing businesses will expand in Milpitas due to the rising cost of land, the limited supply of appropriately trained engineers, and the limited availability of affordable housing.

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[3] LQ, Location Quotient, is the ratio of the share of regional employment in industry (i) to total regional employment divided by the ratio of the share of national employment in industry (i) to total national employment. It is a measure of concentration, or specialization, of that industry within a particular economic region.

[4] Shift-share is a measure of an industry's growth rate in terms of employment in an economic region relative to that industry's growth rate for the nation. A negative shift-share indicates growth is slower than the nation, while a positive shift-share indicates that growth is greater than the nation.

**TABLE B-1**
**Summary of Industry Cluster Employment**
**Milpitas, 2001 to 2002**

| Description | 2001 Milpitas Empl. | 2001-2002 Growth Rate | 2002 Milpitas Empl. (Est.) | % of Total Empl. | Location Quotient | Shift Share |
|---|---|---|---|---|---|---|
| **Computer Hardware Cluster Total** | 7,225 | -12.1% | 6,348 | 11.3% | 20.88 | 2.0% |
| **Semiconductor Cluster Total** | 7,767 | -16.0% | 6,527 | 11.6% | 28.50 | -2.5% |
| **Electronic Components Cluster Total** | 6,184 | -19.6% | 4,971 | 8.9% | 23.11 | 0.1% |
| **Software Cluster Total** | 3,883 | -20.4% | 3,091 | 5.5% | 3.31 | -10.1% |
| **Biomedical Cluster Total** | 2,064 | 0.1% | 2,065 | 3.7% | 3.38 | -1.5% |
| **Innovation Services Cluster Total** | 930 | -17.7% | 766 | 1.4% | 0.44 | -15.4% |
| **Creative Services Cluster Total** | 496 | 1.3% | 503 | 0.9% | 0.78 | 5.4% |
| **Managing offices** | 1,498 | -18.5% | 1,221 | 2.2% | 1.47 | -17.3% |
| **Milpitas Total** | **30,048** | **-15.2%** | **25,492** | **45.5%** | | |

Source: ADE, data from U.S. Census and MIG CEW county employment database

Notes: Milpitas employment is derived from the ZIP Code Business Patterns. To the extent possible, large employers were directly contacted to obtain employment figures. The latest data available at the time of the analysis dated back to 2001. 2002 employment was estimated by applying the countywide growth patterns to the 2001 Milpitas employment totals.

## SEMICONDUCTORS

In 2002, the semiconductor manufacturing cluster employed over 6,500 workers—about 11 percent of Milpitas' total employment. Semiconductor cluster employment is highly concentrated in Milpitas, about 28 times more so than in the United States as a whole (LQ=28.5) but is becoming less concentrated (shift-share is -2.5%). Milpitas-based companies in this cluster include LSI Logic, Linear Technology (both headquartered in Milpitas) and KLA Tencor, headquartered in San Jose. The cluster consists of the following six industries:

- Semiconductor machinery

- Optical instrument and lens

- Semiconductor and related devices

- Industrial process variable instruments

- Electricity and signal testing instruments

- Other measuring and controlling devices

Business activity that takes place in Milpitas includes engineering and design, sales and marketing, finance, human resources, facilities management, and legal services. There is a limited amount of wafer manufacturing. All new manufacturing operations are planned to be located outside the Bay Area. Most manufacturing occurs in other locations

or overseas, including Malaysia and Singapore. Key issues affecting the competitiveness of this cluster include a shortage of engineers in key areas of product development and access to affordable housing for employees. It is unlikely that existing businesses will expand in Milpitas due to the rising cost of land, the limited supply of appropriately trained engineers, and the limited availability of affordable housing.

## ELECTRONIC COMPONENTS

In 2002, the electronic component manufacturing cluster employed over 4,900 workers—about 9 percent of Milpitas' total employment. Electronic component cluster employment is highly concentrated in Milpitas, about 23 times more so than in the United States as a whole (LQ=23) and is stable relative to other regions (shift-share is .1%). Milpitas-based companies in this cluster include Solectron, which is headquartered in Milpitas. This cluster consists of the following eight industries:

- Bare printed circuit boards
- Electronic resistors
- Electronic coils, transformers, and inductors
- Electronic connectors
- Printed circuit assemblies
- Other electronic components
- Current-carrying wiring devices
- Miscellaneous electrical equipment

Major business activities include engineering and design, sales and marketing, finance, human resources, facilities management, and legal services. Some manufacturing occurs in Milpitas though most happens in other locations or overseas, including Eastern Europe, Malaysia, China, and Singapore. Key issues affecting the competitiveness of this cluster include a shortage of engineers in key areas of product development and access to affordable housing for employees. It is unlikely that existing businesses will expand in Milpitas due to the rising cost of land, the limited supply of appropriately trained engineers, and the limited availability of affordable housing.

## SOFTWARE

In 2002, the software cluster employed over 3,000 workers—about 5 percent of Milpitas' total employment. Software cluster employment is concentrated in Milpitas, about three times more so than in the United States as a whole (LQ=3.3) and is declining relative to other regions (shift-share is minus 10.1%). This cluster is comprised of the five following industries:

- Software publishers
- Data processing and related services
- Custom computer programming services
- Computer systems design services
- Other computer related services

Major business activities include software design, sales and marketing, finance, human resources, facilities management, and legal services.

## BIOMEDICAL CLUSTER

**Milpitas-based Biomedical Company**

**LifeScan** was founded in 1981 in Milpitas. In 1986, it was acquired by Johnson & Johnson. LifeScan is devoted to assisting diabetics monitor their blood glucose levels. It designs and manufactures blood glucose monitoring devices, such as its new OneTouch Ultra. The company has 2,500 employees worldwide.

In 2002, the bio-medical cluster employed over 2,000 workers about 4 percent of Milpitas' total employment. Biomedical cluster employment is concentrated in Milpitas, about three times more so than in the United States as a whole (LQ=3.38) and is declining relative to other regions (shift-share is -1.5%). One cluster company headquartered in Milpitas is LifeScan, a Johnson & Johnson Company. LifeScan manufactures medical diagnostic devices specifically for diabetics. This and other companies in this cluster belong to one of the five following industries:

- Analytical laboratory instruments
- Irradiation apparatus
- Surgical and medical instruments
- Physical, engineering, and biological research
- Medical laboratories

Major business activities include engineering and design, sales and marketing, finance, human resources, facilities management, and legal services. There is some manufacturing in Milpitas, though most occurs in other locations or overseas, including Europe. Key issues affecting the competitiveness of this cluster include a shortage of engineers

in key areas of product development and access to affordable housing for employees.

## OTHER INDUSTRY CLUSTERS

Three of the industry clusters prominent throughout Silicon Valley are not as concentrated in the City of Milpitas, but are part of those economic base industries that are growing. These are Innovation Services, Creative Services, and Managing Offices. Together, these three clusters employ nearly 2,600 workers—4 percent of total Milpitas employment. Innovation services are those businesses that are relied upon to assist companies with business strategy, finance, patenting, and technical and other consulting services. Of these, engineering services, surveying and mapping, payroll, and physical and biological research services make up the majority of employment in Milpitas— about 900 jobs. Creative Services include industrial and graphic design, public relations, advertising, photography studios, and marketing consulting and account for about 500 jobs in Milpitas. The remaining 1,200 jobs are included in the Managing Offices cluster.

## ECONOMIC BASE ANALYSIS

The economic base analysis will look at regional economic trends, focusing on employment and income growth. This part of the report will provide an overview of the economic roles that various industries serve at a countywide level. It should be noted that the running long-term trend comparisons was not possible with all of the data because of incompatible data coding systems.[5]

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[5] In 1997, the United States Department of Commerce jointly developed the North American Industry Classification System (NAICS), which was designed to replace the previously used Standard Industry Classification (SIC) coding system. The two coding systems are similar in some aspects, but different enough to make data comparisons incompatible. During the transition period, not all of the data was immediately coded in NAICS, so the starting point for doing valid time series studies varies by data source.

**TABLE B-2**
**Estimated Employment Trends in Milpitas and Santa Clara County, 2001 to 2002**

| NAICS | Description | Milpitas | | | Santa Clara County | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2001 Empl. | 2002 Empl. (est.) | 2001-2002 Empl. Change | 2001 Empl. | 2002 Empl. | 2001-2002 Empl. Change | Percent Change |
| ------ | **Total, all industries** | **62,961** | **56,033** | **-6,928** | **912,147** | **811,779** | **-100,368** | **-11.0%** |
| 11 | Agriculture, forestry, fishing & hunting | 13 | 13 | 0 | 4,634 | 4,568 | -66 | -1.4% |
| 21 | Mining | 0 | 0 | 0 | 221 | 175 | -46 | -20.8% |
| 22 | Utilities | 0 | 0 | 0 | 2,254 | 1,776 | -478 | -21.2% |
| 23 | Construction | 3,094 | 2,779 | -315 | 47,497 | 42,666 | -4,831 | -10.2% |
| 31-33 | Manufacturing | 25,168 | 21,228 | -3,940 | 241,336 | 203,557 | -37,779 | -15.7% |
| 42 | Wholesale trade | 5,844 | 5,231 | -613 | 40,651 | 36,388 | -4,263 | -10.5% |
| 44-45 | Retail trade | 4,895 | 4,627 | -268 | 87,954 | 83,130 | -4,824 | -5.5% |
| 48-49 | Transportation and warehousing | 1,339 | 1,172 | -167 | 15,381 | 13,466 | -1,915 | -12.5% |
| 51 | Information | 1,250 | 994 | -257 | 42,627 | 33,877 | -8,750 | -20.5% |
| 52 | Finance and insurance | 966 | 983 | 17 | 19,472 | 19,814 | 342 | 1.8% |
| 53 | Real estate and rental and leasing | 424 | 424 | 0 | 15,426 | 15,423 | -3 | 0.0% |
| 54 | Professional and technical services | 4,758 | 3,974 | -784 | 126,982 | 106,057 | -20,925 | -16.5% |
| 55 | Management of companies and enterprises | 2,528 | 2,059 | -470 | 19,999 | 16,284 | -3,715 | -18.6% |
| 56 | Administrative and waste services | 2,547 | 2,066 | -481 | 61,978 | 50,267 | -11,711 | -18.9% |
| 61 | Educational services | 402 | 403 | 2 | 23,916 | 24,009 | 93 | 0.4% |
| 62 | Health care and social assistance | 1,500 | 1,552 | 53 | 63,592 | 65,823 | 2,231 | 3.5% |
| 71 | Arts, entertainment, and recreation | 451 | 448 | -3 | 10,489 | 10,421 | -68 | -0.6% |
| 72 | Accommodation and food services | 4,439 | 4,117 | -322 | 61,974 | 57,475 | -4,499 | -7.3% |
| 81 | Other services, except public administration | 1,321 | 1,361 | 40 | 25,672 | 26,442 | 770 | 3.0% |
| | Unclassified and other establishments | 2,023 | 2,604 | 581 | 92 | 161 | 69 | 75.0% |

Source: ADE, data from US Census and MIG CEW employment database

Notes: Employment data only includes private sector employment.

Milpitas employment is derived from the ZIP Code Business Patterns. To the extent possible, large employers were directly contacted to obtain employment figures. The latest data available at the time of the analysis dated back to 2001. 2002 employment was estimated by applying the countywide growth patterns to the 2001 Milpitas employment totals.

## RECENT COUNTY EMPLOYMENT TRENDS

In 2002, the total private sector wage and salary employment for Santa Clara County totaled about 811,800 jobs, as shown in Table B-2.[6] This represents an 11 percent drop from the

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[6] Countywide employment and payroll data comes from the CEW (formerly referred to as ES202) employment database. The data used in this analysis comes from the Minnesota IMPLAN Group, which uses a proprietary analytical model to work around the confidentiality masking embedded in the CEW database. The latest county level data available at the time of the analysis was from 2002.

912,100 jobs that existed in 2001, and a 16 percent decline from the 2000 employment base of 942,800 jobs.

By comparison, Milpitas' estimated employment in 2001 was approximately 63,000 jobs.[7] Assuming that Milpitas' job growth trends approximate what occurred elsewhere in the county during this period, the city's private sector employment dropped to about 56,000 jobs by 2002.

Even more significant than the decline in employment was the much steeper drop in income (Table B-3). Between 2001 and 2002, the aggregate wage and salary income declined by 17 percent in real dollar terms.[8]

### TABLE B-3
### Payroll Growth Trends, Santa Clara County 2001 to 2002

| NAICS | Description | 2001 CPI Adjusted Payroll | 2002 Payroll | Payroll Change | Percent Change | Average Payroll |
|---|---|---|---|---|---|---|
| | **Total, all industries** | **$63,224,475,895** | **$52,336,515,879** | **-$10,887,960,016** | **-17.2%** | **$64,471** |
| 11 | Agriculture, forestry, fishing and hunting | $109,062,295 | $110,673,928 | $1,611,633 | 1.5% | $24,228 |
| 21 | Mining | $9,615,701 | $9,779,683 | $163,982 | 1.7% | $55,884 |
| 22 | Utilities | $309,592,100 | $126,714,870 | -$182,877,230 | -59.1% | $71,348 |
| 23 | Construction | $2,687,506,525 | $2,259,540,807 | -$427,965,718 | -15.9% | $52,959 |
| 31-33 | Manufacturing | $23,508,382,704 | $18,495,785,248 | -$5,012,597,456 | -21.3% | $90,863 |
| 42 | Wholesale trade | $3,217,551,095 | $2,761,164,068 | -$456,387,027 | -14.2% | $75,881 |
| 44-45 | Retail trade | $3,072,771,091 | $2,683,997,099 | -$388,773,992 | -12.7% | $32,287 |
| 48-49 | Transportation and warehousing | $574,584,524 | $492,210,328 | -$82,374,196 | -14.3% | $36,552 |
| 51 | Information | $4,482,740,069 | $3,360,217,285 | -$1,122,522,784 | -25.0% | $99,189 |
| 52 | Finance and insurance | $1,905,427,437 | $1,885,685,255 | -$19,742,182 | -1.0% | $95,169 |
| 53 | Real estate and rental and leasing | $703,982,996 | $683,746,945 | -$20,236,051 | -2.9% | $44,333 |
| 54 | Professional and technical services | $12,426,792,481 | $9,970,109,553 | -$2,456,682,928 | -19.8% | $94,007 |
| 55 | Management of companies and enterprises | $2,031,781,628 | $1,572,656,928 | -$459,124,700 | -22.6% | $96,577 |
| 56 | Administrative and waste services | $2,283,153,934 | $1,735,353,109 | -$547,800,825 | -24.0% | $34,523 |
| 61 | Educational services | $1,118,030,179 | $1,242,875,169 | $124,844,990 | 11.2% | $51,767 |
| 62 | Health care and social assistance | $2,694,336,876 | $2,889,732,795 | $195,395,919 | 7.3% | $43,902 |
| 71 | Arts, entertainment, and recreation | $278,379,569 | $325,183,821 | $46,804,252 | 16.8% | $31,205 |
| 72 | Accommodation and food services | $1,058,344,378 | $981,233,799 | -$77,110,579 | -7.3% | $17,072 |
| 81 | Other services, except public administration | $746,352,469 | $741,526,570 | -$4,825,899 | -0.6% | $28,044 |

Source: ADE, data from MIG CEW county employment database

Notes: Data is inflation adjusted to the CPI. Data only includes private sector employment and excludes public sector, self-employment, and unclassified jobs.

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[7] Milpitas employment was estimated from the U.S. Census ZIP Code Business Patterns. The employment total is based on the ZIP code that encompasses the City of Milpitas and the boundary does include some surrounding unincorporated areas. The latest city level data available at the time of the analysis was from 2001.

[8] Payroll data was adjusted for inflation to the California CPI.

The largest proportion of jobs in the region is tied to manufacturing, with over 203,000 jobs in 2002. The next largest industry group in Santa Clara County is professional and technical services, with over 106,000 jobs.

In Milpitas, the job base is even more heavily concentrated in manufacturing industries, with almost 38 percent of the jobs tied to these sectors (Table B-2). Compared to Santa Clara County as a whole, Milpitas' job base has significantly less representation in professional services and various administrative service categories.

The City of Milpitas' unique concentration of employment in five industry clusters provides several benefits to the city as a whole. At least 46 percent of Milpitas' total employment in 2002 is concentrated in its driving industry clusters (see Figure B-1).

**FIGURE B-1**
**Milpitas Employment Distribution, 2002**
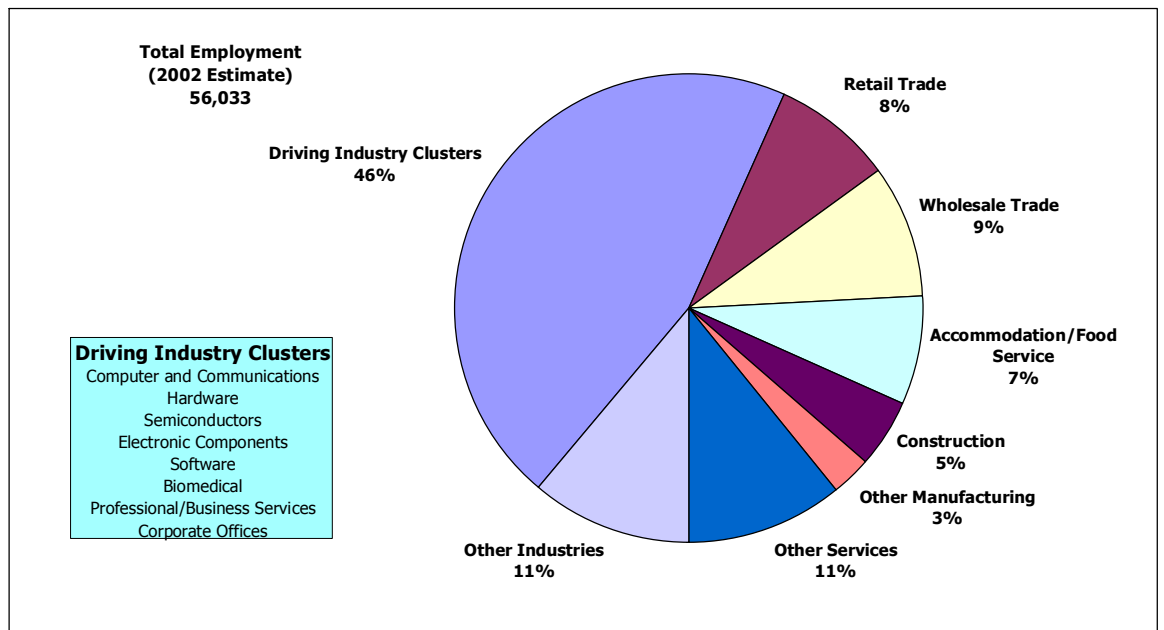


These industries positively impact other Milpitas industries, including Wholesale, Retail, Accommodations and Food Services, and Professional and Technical Services. These positive impacts take the form of payments made to other businesses for supplies and services together with wages paid to their employees. Workers who commute to Milpitas from outside the City patronize many businesses in Milpitas, especially restaurants, clothing and department stores, and

office supply stores. Milpitas' large employment base allows for a mix of retail businesses that its population alone would otherwise not support.

In 2002, the Accommodations and Food Service industry employed 4,100 people, down from 4,440 in 2001 (a result of corporate downsizing in the telecommunications industry and the resulting drop in business travel, combined with an overall downturn in tourism resulting from 9/11). There are 2,700 hotel rooms that host thousands of visitors each year. As the level of business travel softens, Milpitas may want to consider developing a strategy to attract more leisure travelers, leveraging its existing attractions–including the new baseball fields complex, the Ed Levin County Park and its golf courses–and then adding to its cache of local attractions to gradually build up its tourism industry.

**FIGURE B-2**
**Average Vacancy Rates**
**Second Quarter 2004**



Source: BT Commercial Real Estate
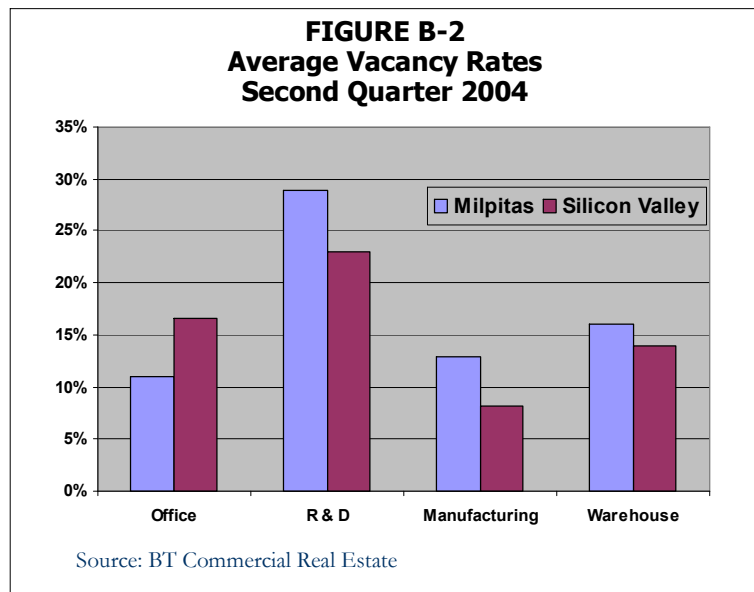
Milpitas' employment in Professional and Technical Services totaled 3,900 (7% of total) in 2002. This is low relative to the countywide share of 13 percent. Of this, about 1,400 jobs are in research and engineering, graphic design, marketing and payroll services. Between 1991 and 2000, professional and technical service industries including Business Services, Legal Services, Educational Services, Engineering and Management Services and other business services grew in employment. Despite negative growth between 2001 and 2002, employment in Professional and Technical Services should continue to grow as the regions economy moves from one based on production to one based on specialized services, especially those crucial to starting and growing new

technology-based companies. This continuing trend suggests that one of Milpitas' economic development opportunities is the expansion of professional services within the City. To realize this opportunity, however, Milpitas would have to construct Class A office space, preferably within the emerging downtown area designated by the Midtown and the Transit Area Plans.

## ASSESSING ECONOMIC ROLES

This section looks at how the Santa Clara County economy is structured and how various industries fit into the overall economy, based on their role within the economy. Identifying these roles is important because many of Milpitas' best economic growth and diversification opportunities come first from those industries that have shown the best growth potential elsewhere in the county.

To assess these roles, ADE ranked the industries in Santa Clara County on the basis of two key economic indicators—job growth and employment concentration relative to the state.[9] The economic roles based on these indicators fall into one of four categories, which are described as follows:

■ **Growing Economic Base Industries**: These industries have shown recent job growth and have an above average employment concentration. They constitute the strength of the economy, and represent opportunities for growth in other areas such as supplier industries.

■ **Emerging Industries**: These sectors have shown recent job growth, but still have a below average employment concentration. These industries represent potential future growth opportunities because they have not yet accumulated a high concentration of employment. Industries in this category could be considered attractive business attraction targets.

■ **Declining Economic Base Industries**: These industries have an above average concentration of employment, but have shown recent job losses. They represent strong industries in a region that have shown some recent vulnerability, and could be considered business retention targets.

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[9] The relative employment growth indicator is often referred to the "shift-share" and the employment concentration measure is typically referred to as the "location quotient."

- **Declining Non-Base Industries**: These industries have shown recent job losses and have below average employment concentration. They do not have an especially notable regional presence and do not have growth prospects as strong as the industries in the other categories.

Because of incompatibilities with employment data prior to 2001, the analysis was done in two stages. The first stage, as shown in Table B-4, shows the economic roles that various industries had between 1991 and 2000. That time period showed job growth that cut across a broad range of industries. Among the highly concentrated industries that constituted the strength of the regional economy, only transportation equipment manufacturing showed any job losses during this period.

The growing economic base industries were in a variety of technology-based manufacturing industries and professional services. These types of industries were also the ones that comprised the core of the industry clusters that drive the regional economy. In addition, that period had numerous promising emerging industries, especially in transportation industries and visitor-serving sectors.

Table B-5 shows the one-year trend between 2001 and 2002, and it indicates that the region's economic downturn has transformed the economic roles for a variety of industries in Santa Clara County. Industries with an above average employment concentration that lost employment during this period include computer manufacturing, electrical equipment manufacturing, internet publishing, data processing, and professional and technical services. This illustrates how widely the economic downturn affected the strongest industries in Santa Clara County. This also indicates that the regional economy remains highly susceptible to economic shifts that occur in the technology sectors.

The only industries with above average employment concentrations that showed job growth during this period were education services, waste management and remediation services, and transportation equipment manufacturing—which ironically was the only economic base industry that lost employment during the 1991 to 2000 growth period.

The range of industries in Santa Clara County with lower concentrations of employment is fairly large. This means that

Santa Clara County's economy remains driven by a high concentration of very specific industries. One positive aspect is that several sectors remain as emerging industries, including transportation and health care services.

**TABLE B-4**
**Santa Clara County Economic Base Table, Listed by Economic Role, 1991 to 2000 (SIC Coding)**

| DECLINING ECONOMIC BASE INDUSTRIES | GROWING ECONOMIC BASE INDUSTRIES |
|---|---|
| *37  Transportation equipment* | *17  Special trade contractors* |
| | *35  Industrial machinery and equipment* |
| | *36  Electronic & other electric equipment* |
| | *38  Instruments and related products* |
| | *46  Pipelines, except natural gas* |
| | *50  Wholesale trade—durable goods* |
| | *73  Business services* |
| | *81  Legal services* |
| | *82  Educational services* |
| | *87  Engineering & management services* |
| | 89  Services, nec |
| **DECLINING NON-BASE INDUSTRIES** | **EMERGING INDUSTRIES** |
| 01  Agricultural production—crops | 07  Agricultural and landscaping services |
| 08  Forestry | 10  Metal mining |
| 09  Fishing, hunting, and trapping | 14  Nonmetallic minerals, except fuels |
| 13  Oil and gas extraction | 15  General contractors and operative builders |
| 16  Heavy construction, except building | 23  Apparel and other textile products |
| 20  Food and kindred products | 24  Lumber and wood products |
| 22  Textile mill products | 25  Furniture and fixtures |
| 27  Printing and publishing | 26  Paper and allied products |
| 28  Chemicals and allied products | 29  Petroleum and coal products |
| 30  Rubber and misc. plastics products | 32  Stone, clay, and glass products |
| 31  Leather and leather products | 33  Primary metal industries |
| 39  Miscellaneous manufacturing industries | 34  Fabricated metal products |
| 42  Trucking and warehousing | 41  Local and interurban passenger transit |
| 51  Wholesale trade—nondurable goods | 44  Water transportation |
| 60  Depository institutions | 45  Transportation by air |
| 63  Insurance carriers | 47  Transportation services |
| 64  Insurance agents, brokers, & service | 48  Communication |
| | 49  Electric, gas, and sanitary services |
| | 61  Nondepository institutions |
| | 62  Security and commodity brokers |
| | 65  Real estate |
| | 67  Holding and other investment offices |
| | 70  Hotels and other lodging places |
| | 78  Motion pictures |
| | 79  Amusement & recreation services |
| | 80  Health services |
| | 83  Social services |
| | 84  Museums, botanical, zoological gardens |
| | 86  Membership organizations |

Source: ADE, data from MIG CEW county employment database

Notes: The comparison region for Santa Clara County was the State of California. Industries identified in ITALICS represent those industries with negative relative growth rates (i.e. these industries either grew slower than the state or declined faster.).

| DECLINING ECONOMIC BASE INDUSTRIES | | GROWING ECONOMIC BASE INDUSTRIES | |
|---|---|---|---|
| 333 | Machinery manufacturing | 336 | Transportation equipment manufacturing |
| 334 | Computer and electronic product manufacturing | 562 | Waste management and remediation services |
| 335 | Electrical equipment and appliance mfg. | 611 | Educational services |
| 511 | Publishing industries, except Internet | | |
| 516 | Internet publishing and broadcasting | | |
| 518 | ISPs, search portals, and data processing | | |
| 533 | Lessors of nonfinancial intangible assets | | |
| 541 | Professional and technical services | | |
| **DECLINING NON-BASE INDUSTRIES** | | **EMERGING INDUSTRIES** | |
| 111 | Crop production | 113 | Forestry and logging |
| 114 | Fishing, hunting and trapping | 212 | Mining, except oil and gas |
| 115 | Agriculture and forestry support activities | 313 | Textile mills |
| 211 | Oil and gas extraction | 316 | Leather and allied product manufacturing |
| 213 | Support activities for mining | 339 | Miscellaneous manufacturing |
| 221 | Utilities | 485 | Transit and ground passenger transportation |
| 311 | Food manufacturing | 487 | Scenic and sightseeing transportation |
| 312 | Beverage and tobacco product manufacturing | 512 | Motion picture and sound recording industries |
| 314 | Textile product mills | 515 | Broadcasting, except Internet |
| 315 | Apparel manufacturing | 519 | Other information services |
| 321 | Wood product manufacturing | 521 | Monetary authorities - central bank |
| 322 | Paper manufacturing | 522 | Credit intermediation and related activities |
| 323 | Printing and related support activities | 531 | Real estate |
| 324 | Petroleum and coal products manufacturing | 621 | Ambulatory health care services |
| 325 | Chemical manufacturing | 622 | Hospitals |
| 326 | Plastics and rubber products manufacturing | 623 | Nursing and residential care facilities |
| 327 | Nonmetallic mineral product manufacturing | 624 | Social assistance |
| 331 | Primary metal manufacturing | 711 | Performing arts and spectator sports |
| 332 | Fabricated metal product manufacturing | 813 | Membership associations and organizations |
| 337 | Furniture and related product manufacturing | 814 | Private households |
| 481 | Air transportation | | |
| 484 | Truck transportation | | |
| 486 | Pipeline transportation | | |
| 488 | Support activities for transportation | | |
| 492 | Couriers and messengers | | |
| 493 | Warehousing and storage | | |
| 517 | Telecommunications | | |
| 523 | Securities, commodity contracts, investments | | |
| 524 | Insurance carriers and related activities | | |
| 525 | Funds, trusts, and other financial vehicles | | |
| 532 | Rental and leasing services | | |
| 551 | Management of companies and enterprises | | |
| 561 | Administrative and support services | | |
| 712 | Museums, historical sites, zoos, and parks | | |
| 713 | Amusements, gambling, and recreation | | |
| 721 | Accommodation | | |

Source: ADE, data from MIG CEW county employment database
Notes: The comparison region for Santa Clara County was the State of California. Industries identified in ITALICS represent those industries with negative relative growth rates (i.e. these industries either grew slower than the state or declined faster.).

# ATTACHMENT B–1: CLUSTER DEFINITIONS

## COMPOSITION OF INDUSTRY CLUSTERS

### Computer and Communications Hardware Manufacturing Cluster

| NAICS | Description |
|---|---|
| 334111 | Electronic computer manufacturing |
| 334112 | Computer storage device manufacturing |
| 334113 | Computer terminal manufacturing |
| 334119 | Other computer peripheral equipment mfg. |
| 334210 | Telephone apparatus manufacturing |
| 334220 | Broadcast and wireless communications equip. |
| 334290 | Other communications equipment manufacturing |
| 334511 | Search, detection, and navigation instruments |
| 334613 | Magnetic and optical recording media mfg. |

### Semiconductor and Semiconductor Equipment Manufacturing Cluster

| NAICS | Description |
|---|---|
| 333295 | Semiconductor machinery manufacturing |
| 333314 | Optical instrument and lens manufacturing |
| 334515 | Electricity and signal testing instruments |
| 334519 | Other measuring and controlling device mfg. |

### Electronic Components Manufacturing Cluster

| NAICS | Description |
|---|---|
| 334411 | Electron tube manufacturing |
| 334412 | Bare printed circuit board manufacturing |
| 334415 | Electronic resistor manufacturing |
| 334416 | Electronic coils, transformers, and inductors |
| 334417 | Electronic connector manufacturing |
| 334418 | Printed circuit assembly manufacturing |
| 334419 | Other electronic component manufacturing |
| 335911 | Storage battery manufacturing |
| 335912 | Primary battery manufacturing |
| 335921 | Fiber optic cable manufacturing |
| 335929 | Other communication and energy wire mfg. |
| 335931 | Current-carrying wiring device manufacturing |
| 335932 | Noncurrent-carrying wiring device mfg. |
| 335991 | Carbon and graphite product manufacturing |
| 335999 | Miscellaneous electrical equipment mfg. |

### Software Cluster

| NAICS | Description |
|---|---|
| 334611 | Software reproducing |
| 511210 | Software publishers |
| 5181 | ISPs and web search portals |
| 5182 | Data processing and related services |
| 541511 | Custom computer programming services |
| 541512 | Computer systems design services |

541519    Other computer related services

**Biomedical Cluster**

NAICS    Description
325411    Medicinal and botanical manufacturing
325412    Pharmaceutical preparation manufacturing
325413    In-vitro diagnostic substance manufacturing
325414    Other biological product manufacturing
334510    Electromedical apparatus manufacturing
334516    Analytical laboratory instrument mfg.
334517    Irradiation apparatus manufacturing
339111    Laboratory apparatus and furniture mfg.
339112    Surgical and medical instrument manufacturing
339113    Surgical appliance and supplies manufacturing
339114    Dental equipment and supplies manufacturing
541710    Physical, engineering and biological research
621511    Medical laboratories
621512    Diagnostic imaging centers

**Innovation Services Cluster**

NAICS    Description
523910    Miscellaneous intermediation
541110    Offices of lawyers
541191    Title abstract and settlement offices
541199    All other legal services
541211    Offices of certified public accountants
541213    Tax preparation services
541214    Payroll services
541219    Other accounting services
541330    Engineering services
541370    Other surveying and mapping services
541380    Testing laboratories
541611    Administrative management consulting services
541612    Human resource consulting services
541614    Process and logistics consulting services
541620    Environmental consulting services
541690    Other technical consulting services
541710    Physical, engineering and biological research

**Corporate Offices Cluster**

NAICS    Description
551114    Corporate, Subsidiary, and Regional Managing Offices

**Creative Services Cluster**

| NAICS | Description |
|-------|-------------|
| 541310 | Architectural services |
| 541320 | Landscape architectural services |
| 541340 | Drafting services |
| 541410 | Interior design services |
| 541420 | Industrial design services |
| 541430 | Graphic design services |
| 541490 | Other specialized design services |
| 541613 | Marketing consulting services |
| 541810 | Advertising agencies |
| 541820 | Public relations agencies |
| 541830 | Media buying agencies |
| 541840 | Media representatives |
| 541850 | Display advertising |
| 541860 | Direct mail advertising |
| 541870 | Advertising material distribution services |
| 541890 | Other services related to advertising |
| 541910 | Marketing research and public opinion polling |
| 541921 | Photography studios, portrait |
| 541922 | Commercial photography |
| 711110 | Theater companies and dinner theaters |
| 711120 | Dance companies |
| 711130 | Musical groups and artists |
| 711190 | Other performing arts companies |
| 711510 | Independent artists, writers, and performers |

# APPENDIX C: RETAIL MARKET ANALYSIS

Through successful retail attraction efforts, the City of Milpitas has positioned itself into a regional retail provider that attracts significant patronage from surrounding communities and daytime workers. Milpitas' retail success is illustrated by the fact that the city's retail stores generate sales that more than double the total retail spending by local residents.

Even though retail has served as a successful economic engine and source of tax revenue for Milpitas, there are numerous challenges that must be addressed in order for the city to retain its advantageous position and capitalize on new opportunities. This analysis will provide a background context from which discussion of strategic initiatives can begin.

## MILPITAS' RETAIL SETTING

By most measures, Milpitas has a very healthy and diverse base of retail stores. Milpitas' retail market encompasses a geographically contiguous area that includes local households, as well as residents in surrounding communities such as the northern sections of San Jose, the Tri-City area, the Peninsula, and the I-680 corridor. In addition, Milpitas has a daily influx of commuters, workers who live outside of Milpitas, who provide further market support for local retail stores.

The City of Milpitas has a population of just over 65,000 residents, with about 17,200 households. The average income for Milpitas households is nearly $100,000 (Table C-1).

**TABLE C-1**
**Milpitas Income Distribution, 2003**

| Income Range | Households | Total Income | Average Income |
|---|---|---|---|
| Under $20,000 | 985 | $11,466,038 | $11,644 |
| $20,000 to $29,999 | 898 | $23,757,794 | $26,448 |
| $30,000 to $39,999 | 1,057 | $38,551,826 | $36,473 |
| $40,000 to $49,999 | 1,427 | $67,493,131 | $47,289 |
| $50,000 to $69,999 | 3,139 | $199,251,997 | $63,467 |
| $70,000 and Over | 9,651 | $1,357,759,114 | $140,681 |

| | | |
|---|---|---|
| **TOTAL** | **17,158   $1,698,279,899** | **$98,979** |

# RETAIL MARKET ANALYSIS OVERVIEW

The retail market analysis consists of two main parts -- an estimate of household retail spending, and a comparison of overall spending potential and sales by Milpitas retail establishments.

## METHODOLOGY

The household retail spending totals are calculated from an analytical model that estimates spending for 40 different store types and 100 product categories. The taxable sales data is an annual total listed by retail category. The businesses listed in the analysis encompass all of the retail businesses operating in the City of Milpitas. The retail sales data comes directly from the California State Board of Equalization sales tax allocation records, and the data was audited by the MBIA Municipal Resource Consultants. Because certain retail items, such as food and prescription drugs, are not taxable, the analysis includes a conversion that calculates nontaxable sales.

Retail leakage represents the gap between household spending by Milpitas households and retail sales by local retail establishments. This leakage represents an existing shortfall, as well as an opportunity for both retail expansion and possible attraction.

## LOCAL HOUSEHOLD SPENDING

Based on data from ADE's retail demand model, the analysis estimates that the annual retail spending by Milpitas residents totals about $394 million. It should be noted that not all of this spending will occur in Milpitas because neighboring communities might provide retail offerings not available locally. In addition, the high percentage of local residents that commute outside of Milpitas makes it very likely that at least some portion of household spending will continue to leave Milpitas.

On the other hand, Milpitas also draws significant spending from outside of the community because the Great Mall, McCarthy Ranch, and numerous other specialized retail centers serve regional markets. This distinction between

spending and where it occurs will be discussed further in the section pertaining to retail leakage.

Household spending among Milpitas residents is distributed across a wide variety of retail store categories. The two largest retail spending categories are food stores and eating places, and automotive. Together, these two retail groups account for over half of the total retail spending among local residents, with each of them accounting for over $100 million of annual household spending. Among the individual store categories within these broad groups, new car dealerships and grocery stores each account for over $65 million of annual household spending (Table C-2)

**TABLE C-2**
**2003 Milpitas Household Retail Demand**
**by Store Type**

| Retail Group | Milpitas Household Retail Demand |
|---|---|
| **Total** | **$394,402,806** |
| **Apparel Store Group** | **$24,124,694** |
| Women's Apparel | $5,514,041 |
| Men's Apparel | $2,129,236 |
| Family Clothing | $12,238,088 |
| Shoe Stores | $4,243,329 |
| **General Merchandise Group** | **$68,722,808** |
| Department & Dry Goods | $39,699,493 |
| Discount Stores | $23,454,653 |
| Department Stores | $16,244,597 |
| Other General Merchandise | $18,723,100 |
| Warehouse Clubs and Superstores | $13,848,620 |
| Misc. General Merchandise | $4,874,480 |
| Drug & Proprietary Stores | $10,300,215 |
| **Specialty Retail Group** | **$28,979,785** |
| Gifts & Novelties | $2,211,300 |
| Sporting Goods | $3,390,426 |
| Florists | $758,152 |
| Photographic Equipment | $407,375 |
| Records & Music | $1,809,455 |
| Books & Stationery | $1,943,289 |
| Office Supplies/Computer Equipment | $5,015,274 |
| Office Supplies | $2,146,132 |
| Computer Equipment | $2,869,142 |
| Jewelry | $3,145,628 |
| Misc. Specialty Retail | $10,298,886 |
| Cosmetics/Beauty Supply | $442,062 |
| Optical Goods | $1,572,962 |
| Other Health/Personal Care Stores | $838,320 |
| Toys & Hobbies | $3,354,150 |
| Pet Stores | $1,409,955 |

**TABLE C-2**
**2003 Milpitas Household Retail Demand**
**by Store Type**

| Retail Group | Milpitas Household Retail Demand |
|---|---|
| Other Misc. Specialty Stores | $2,681,437 |
| **Food, Eating and Drinking Group** | **$101,492,947** |
| Grocery Stores | $65,134,158 |
| Supermarkets | $62,391,233 |
| Convenience Stores | $2,742,867 |
| Specialty Food Stores | $2,017,981 |
| Meat & Fish Markets | $1,007,728 |
| Fruit & Vegetable Markets | $391,505 |
| Misc. Specialty Food | $618,746 |
| Liquor Stores | $3,012,383 |
| Eating Places | $31,328,424 |
| Full-Service Restaurants | $14,997,452 |
| Other Eating Places | $14,989,439 |
| Drinking Places | $1,341,533 |
| **Building Materials and Home Furnishings Group** | **$43,843,792** |
| Furniture & Home Furnishings | $20,224,906 |
| Furniture Stores | $11,815,476 |
| Other Home Furnishings Stores | $8,409,429 |
| Household Appliances & Electronics | $7,136,317 |
| Used Merchandise | $1,137,709 |
| Nurseries & Garden Supply Stores | $3,594,187 |
| Lumber & Other Building Materials | $6,768,097 |
| Home Centers and Hardware Stores | $4,654,347 |
| Paint & Wallpaper | $328,230 |
| **Automotive Group** | **$127,238,780** |
| New Cars & RVs | $84,440,809 |
| Used Car Dealers | $6,162,843 |
| Gasoline Service Stations | $31,073,441 |
| Mobile Homes & Trailers | $21,734 |
| Auto Parts & Accessories | $2,734,433 |
| Boats & Motorcycles | $2,805,520 |

Source: ADE, retail model developed from 1997 US Retail Census, and the 2002 Bureau of Labor Statistics Household Expenditure Surveys. Data adjusted for inflation using CPI.

# MILPITAS RETAIL SALES

For a community of its size, Milpitas has a very diverse retail base. The city's retail offerings contain unusually large concentrations of several retail categories for a city of Milpitas' size. In particular, the city has a very large and diverse range of apparel store offerings and specialty retail stores.

In order to estimate the retail sales for the City of Milpitas, the analysis used the State Board of Equalization sales tax receipts.[10] From this audit, ADE estimated the taxable retail sales after accounting for missing and/or invalid data. After adjusting the sales tax data to account for nontaxable item sales, the total annual retail sales by businesses in the City of Milpitas is approximately $864 million.

The largest group of retail sales is in food related businesses. In particular, Milpitas has a very large base of restaurants, with about $168 million of annual retail sales. Considering that Milpitas households spend only $31 million at restaurants, the city is clearly a destination for eating out. In addition, general merchandise stores combine for about $134 million of annual retail sales (Table C-3)

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[10] The City of Milpitas contracts with MBIA Municipal Resource Consultants to audit its sales tax receipts. The analysis is based on data contained in this report.

TABLE C-3
**Milpitas Household Spending Capture and Retail Leakage**

| Retail Group | Milpitas Household Retail Demand | Milpitas Retail Sales | Milpitas Spending Capture | Leakage of Local Spending |
|---|---|---|---|---|
| **Total** | **$394,402,806** | **$863,612,007** | **$257,049,115** | **$137,353,691** |
| **Apparel Store Group** | **$24,124,694** | **$125,987,800** | **$24,124,694** | **$0** |
| Women's Apparel | $5,514,041 | $28,513,300 | $5,514,041 | $0 |
| Men's Apparel | $2,129,236 | $7,253,800 | $2,129,236 | $0 |
| Family Clothing | $12,238,088 | $72,957,300 | $12,238,088 | $0 |
| Shoe Stores | $4,243,329 | $17,263,400 | $4,243,329 | $0 |
| **General Merchandise Group** | **$68,722,808** | **$134,497,353** | **$51,500,187** | **$17,222,621** |
| Department/Other General Merchandise Stores* | $58,422,593 | $99,002,701 | $41,199,972 | $17,222,621 |
| Drug Stores | $10,300,215 | $35,494,652 | $10,300,215 | $0 |
| **Specialty Retail Group** | **$28,979,785** | **$114,504,166** | **$28,271,351** | **$708,434** |
| Gifts & Novelties | $2,211,300 | $8,497,264 | $2,211,300 | $0 |
| Sporting Goods | $3,390,426 | $18,701,802 | $3,390,426 | $0 |
| Records & Music | $1,809,455 | $7,456,600 | $1,809,455 | $0 |
| Books & Stationery | $1,943,289 | $7,016,000 | $1,943,289 | $0 |
| Office Supplies/Computer Equipment | $5,015,274 | $10,692,900 | $4,427,487 | $587,787 |
| Jewelry | $3,145,628 | $12,434,635 | $3,145,628 | $0 |
| Misc. Specialty Retail (inc. Florists and Photo Eq.)* | $11,464,412 | $49,704,965 | $11,343,766 | $120,646 |
| **Food, Eating and Drinking Group** | **$101,492,947** | **$270,095,192** | **$83,987,834** | **$17,505,113** |
| Grocery Stores | $65,134,158 | $91,870,535 | $53,830,618 | $11,303,540 |
| Specialty Food Stores | $2,017,981 | $8,053,713 | $2,017,981 | $0 |
| Liquor Stores | $3,012,383 | $2,562,055 | $1,877,126 | $1,135,257 |
| Eating Places | $31,328,424 | $167,608,889 | $26,262,108 | $5,066,315 |
| **Building Materials and Home Furnishings Group** | **$43,843,792** | **$128,973,546** | **$29,125,507** | **$14,718,285** |
| Furniture & Home Furnishings/Used Merchandise* | $21,362,615 | $14,578,659 | $9,984,319 | $11,378,296 |
| Household Appliances & Electronics | $7,136,317 | $39,775,500 | $7,136,317 | $0 |
| Home Improvement Stores* | $15,344,861 | $74,619,388 | $12,004,871 | $3,339,989 |
| **Automotive Group** | **$127,238,780** | **$89,553,949** | **$40,039,542** | **$87,199,238** |
| Vehicle Dealers/Auto Parts* | $96,165,339 | $33,403,300 | $13,947,366 | $82,217,973 |
| Gasoline Service Stations | $31,073,441 | $56,150,649 | $26,092,175 | $4,981,266 |

Source: ADE, retail sales data comes from the 2003/2004 State Board of Equalization sales tax records for the City of Milpitas, retail model developed from 1997 US Retail Census, and the 2002 Bureau of Labor Statistics Household Expenditure Surveys. Data adjusted for inflation using CPI. Potential square footage demand based on data from the Urban Land Institute.

Notes: Spending and sales do not include non-store retail establishments, which include mail order, home shopping, and direct selling.

Spending capture assumptions are based on data from the Milpitas Local Business Survey. Spending for individual retail categories was adjusted so that spending capture cannot exceed existing retail sales.

Retail categories marked with asterisks (*) are aggregated categories due to confidentiality requirements. The market area is defined as the City of Milpitas

# ROLE OF THE GREAT MALL AND MCCARTHY RANCH

One of the unique facets of Milpitas' retail base is its high concentration into two major retail centers, the Great Mall of the Bay Area and McCarthy Ranch. Together, these two shopping centers encompass close to half of the total retail sales in Milpitas, and serve as the most significant attractors of retail spending from outside of Milpitas.

**TABLE C-4**
**Milpitas Retail Sales by Retail Center**

| Retail Center | Retail Sales |
|---|---|
| **City of Milpitas** | **$852,919,107** |
| Great Mall | $213,090,154 |
| McCarthy Ranch | $171,496,069 |
| Calaveras Plaza | $15,720,724 |
| Serra Center | $21,885,133 |
| Milpitas Square | $31,544,719 |
| Other Milpitas Retailers | $399,182,308 |

Very clearly, the presence of both the Great Mall and McCarthy Ranch has allowed Milpitas to maintain a more prominent and diverse retail base than it would have without these centers in place. Because the Great Mall attracts shoppers from throughout the East Bay and Santa Clara County, that center's specialized retail stores attract sufficient spending to support those stores even though Milpitas' local market area by itself ordinarily would not support those types of retail uses. Both of these retail centers are anchored by large-scale "big box" retail stores, yet each of them serves a somewhat different market niche.

Opening in 1996, the McCarthy Ranch Marketplace fits the profile of the "power centers" that emerged as a dominant retail development configuration during the 1990s. The configuration of a power center is typically an outdoor shopping center anchored by a large-scale general merchandise store, with a location close to a major highway. Power centers have contributed towards displacing mall-based retailers as the primary drivers of the retail market.

McCarthy Ranch is anchored by a Wal-Mart store, and generates about $171 million in annual sales. Other anchor tenants at the site include Best Buy, Borders, Good Guys, and Sportmart. The shopping center also has a wide variety of restaurant choices with some smaller specialty retail stores.

Competing power centers in the area include Union Landing (Union City) and Dublin Crossing (Dublin).

The Great Mall of the Bay Area has a very different physical form than McCarthy Ranch, and serves a different market niche. Unlike McCarthy Ranch, the Great Mall is an enclosed mall. Developed in 1994, the Great Mall was originally positioned as a discount mall with store offerings comparable to an outlet center. In recent years, the mall has expanded its offerings to include more entertainment uses such as Century Theatres and Dave & Buster's.

But, even with this diversification, the Great Mall's main niche is apparel, which accounts for $109 million out of the $213 million in annual retail sales generated at the mall.[11] The Great Mall also has a large concentration of specialty retail stores, which is typical of traditional malls. What sets the Great Mall apart from typical shopping malls is the absence of a traditional department store such as Macy's, JCPenney, or Nordstrom. Mall management regards Valley Fair shopping center in San Jose as the main competition for the Great Mall.

Even though the Great Mall is a significant attractor of retail spending from outside of Milpitas, its total sales per square foot lags behind what other malls typically generate.[12] In 2003, the Mills Corporation acquired the Great Mall and is in the process of remodeling and repositioning the property. Mills' strategy at its other properties has been to create themed shopping areas and mix retail uses with entertainment and "lifestyle" uses. This would go along with prevailing market trends throughout the country, which have seen the traditional malls' share of the overall retail market decline. In response, the new trend for shopping malls has been to incorporate "lifestyle" uses. These uses encompass a cross-section of entertainment, recreation, dining, and trendier retail stores.

[11] Retail revenues do not account for certain types of sales that do not collect sales tax, such as movie tickets, game receipts, and personal services.
[12] According to Great Mall management, the center averages about $200 to $220 of sales per square foot. In contrast, Broadway Plaza in Walnut Creek generates about $350 per square foot, and the Corte Madera center generates over $400 per square foot.

Plans for the Great Mall involve remodeling and moving some existing tenants into different locations within the mall and creating themed areas such as a "designer row." Mall management seeks to make the tenant mix more upscale, and move away from the discount orientation that the mall originally had. The evolution of the Great Mall into a more diverse center is a very important consideration for Milpitas' retail future because the mall represents a unique asset that neighboring communities cannot replicate.

## ROLE OF OTHER MILPITAS RETAIL CENTERS

Milpitas' other retail centers primarily encompass community and neighborhood level retail uses such as supermarkets, drug stores, restaurants, and local specialty retail uses. Some of Milpitas' other retail centers include Milpitas Square, Serra Center, Milpitas Town Center, and Calaveras Plaza. These retail centers primarily serve the middle market. There are no large concentrations of dilapidated marginal retail businesses, but higher end retail stores are not well represented either. In particular, there are no upscale grocery stores or restaurants in Milpitas, even though those types of retail stores are more common in other parts of Silicon Valley, including communities with incomes comparable to Milpitas such as Cupertino.

Even though these types of retail centers typically serve limited market areas, Milpitas' retail centers also include significant concentrations of ethnic retail businesses. For example, Milpitas Square is a predominantly Chinese retail center that is anchored by a 99 Ranch supermarket. It generates about $32 million in annual sales and provides a lot of retail offerings and services that are typical of neighborhood and community retail centers. However, because the retail center is targeted towards Chinese households, it also attracts a regional customer base. Other ethnic retail centers are located throughout Milpitas. In other cities, concentrations of ethnic businesses have taken hold in older neighborhood retail centers as newer retail developments increase the overall availability of retail spaces.

# LEAKAGE OF SPENDING BY MILPITAS RESIDENTS

Retail leakage represents the household spending by Milpitas residents that is not spent at retailers in the City of Milpitas. Using data from the Local Business Survey, ADE estimated that Milpitas retail stores generate about 33 percent of their sales from local residents, and local restaurants generate about 16 percent of their sales from local sources. This means that Milpitas retail stores capture about $257 million from local households, while $137 million of retail leakage goes elsewhere.[13]

By far the largest retail leakage occurs in the combined vehicle dealers/auto parts category.[14] Approximately $87 million in this category is currently spent elsewhere. Milpitas has only one new car dealership, so the vast majority of this retail leakage clearly originates with the lack of auto dealers in Milpitas. Significant recapture of sales in this one category can eliminate most of the existing retail leakage by Milpitas households.

Other store categories with more than $10 million of retail leakage are department/other general merchandise stores, grocery stores, and furniture/used merchandise stores.[15]

It should be noted that store categories with retail leakage represent both an existing shortfall, as well as a short-term opportunity for new retail store attraction. However, in order for leakage to translate into potential for new stores, the leakage has to be large enough to support a viable establishment. This will be discussed further in the section pertaining to retail attraction potential.

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[13] The retail leakage was calculated based on the aggregate totals from the Local Business Survey. In those retail categories where 33 percent of citywide sales exceeded the total household spending by Milpitas residents, the spending capture was equated to the available household spending resulting in no leakage. The remaining leakage was reallocated to other retail categories where the spending capture did not exceed the household spending.
[14] Retail category combines automobile dealerships and auto parts stores due to confidentiality requirements for reporting sales tax data.
[15] Department/general merchandise stores and furniture/used merchandise stores are combined categories due to confidentiality requirements for reporting sales tax data.

# LINKING RETAIL LEAKAGE TO ATTRACTION POTENTIAL

With most of Milpitas' retail sales coming from outside of the community, retail stores have well exceeded the available local retail spending. Continued expansion of the retail economy depends largely on the city's continued capacity to attract spending from throughout the region. In those categories where Milpitas has retail sales leakage, the community has potential to recapture some local household spending that currently goes outside of the area.

## ATTRACTION POTENTIAL

With $137 million of retail leakage by Milpitas households, this amount of spending can potentially support up to 20 new retail establishments with a total of $75 million in annual sales, assuming that this retail leakage can be recaptured. In order to support a new retail establishment, the leakage has to be large enough to support a viable business for a given retail category. The analysis established a minimum support level for each retail category by estimating the average sales by store type for retail establishments in Santa Clara County.[16]

Because much of the leakage occurs in the vehicle dealers/auto parts category, a significant portion of the retail leakage can be recaptured by bringing car dealerships to Milpitas. The store categories with retail leakage large enough to support potential new retail stores are as follows:

- Supermarkets (one establishment)

- Liquor stores (one establishment)[17]

- Eating places (seven establishments)

- Furniture/used merchandise (four establishments)

- Gardening stores (two establishments)

- Vehicle dealers/auto parts (four establishments)

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[16] Benchmark sales per store came from the 1997 Census of Retail Trade, adjusted for inflation to 2003 dollars. At the time of the analysis, the data from the 2002 Census of Retail Trade had not yet been released.
[17] The data for the liquor store category only reported two quarters of sales for the Beverages & More store, so the actual leakage might not be sufficient to support a new establishment.

■ Gasoline service stations (one establishment)

Even though the retail leakage is sufficient to support these businesses, it is unlikely that Milpitas can recapture all of this leakage. The commute pattern shows that about 80 percent of Milpitas' working residents have jobs outside of the city. Because commuters frequently do their shopping errands where they work, at least some portion of the retail leakage will continue to leave Milpitas.

It should also be noted that in addition to showing the types of new businesses that could fill existing vacancies and provide the base for potential new development, this analysis can also be used by existing businesses that want to identify new product lines for business expansion.

Using national averages, this $75 million of new retail sales potentially generates a demand for about 115,000 square feet of retail space, excluding the land area that would be required to develop new car dealerships.[18] This amount of retail square footage does not necessarily mean that new retail developments are feasible in the short-term because some of this demand could presumably be accommodated in existing vacant commercial spaces (Table C-5)

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[18] Benchmark sales per square foot data comes from the Urban Land Institute (ULI) *Dollars and Cents of Shopping Centers* publication.

**TABLE C-5**
**Retail Leakage and Supportable New Retail Stores**

| Retail Group | Leakage of Local Spending | Supportable New Retail Stores | Potential New Retail Sales Capture | Square Footage Demand | Continuing Leakage |
|---|---|---|---|---|---|
| **Total** | **$137,353,691** | **20** | **$75,391,954** | **115,164** | **$61,961,737** |
| **Apparel Store Group** | **$0** | **0** | **$0** | **0** | **$0** |
| Women's Apparel | $0 | 0 | $0 | 0 | $0 |
| Men's Apparel | $0 | 0 | $0 | 0 | $0 |
| Family Clothing | $0 | 0 | $0 | 0 | $0 |
| Shoe Stores | $0 | 0 | $0 | 0 | $0 |
| **General Merchandise Group** | **$17,222,621** | **0** | **$0** | **0** | **$17,222,621** |
| Department/Other General Merchandise Stores* | $17,222,621 | 0 | $0 | 0 | $17,222,621 |
| Drug Stores | $0 | 0 | $0 | 0 | $0 |
| **Specialty Retail Group** | **$708,434** | **0** | **$0** | **0** | **$708,434** |
| Gifts & Novelties | $0 | 0 | $0 | 0 | $0 |
| Sporting Goods | $0 | 0 | $0 | 0 | $0 |
| Records & Music | $0 | 0 | $0 | 0 | $0 |
| Books & Stationery | $0 | 0 | $0 | 0 | $0 |
| Office Supplies/Computer Equipment | $587,787 | 0 | $0 | 0 | $587,787 |
| Jewelry | $0 | 0 | $0 | 0 | $0 |
| Misc. Specialty Retail (inc. Florists and Photo Eq.)* | $120,646 | 0 | $0 | 0 | $120,646 |
| **Food, Eating and Drinking Group** | **$17,505,113** | **9** | **$14,046,293** | **46,481** | **$3,458,820** |
| Grocery Stores | $11,303,540 | 1 | $8,176,650 | 20,318 | $3,126,890 |
| Specialty Food Stores | $0 | 0 | $0 | 0 | $0 |
| Liquor Stores | $1,135,257 | 1 | $841,718 | 3,115 | $293,539 |
| Eating Places | $5,066,315 | 7 | $5,027,925 | 23,049 | $38,390 |
| **Building Materials and Home Furnishings Group** | **$14,718,285** | **6** | **$12,186,382** | **60,474** | **$2,531,904** |
| Furniture & Home Furnishings/Used Merchandise* | $11,378,296 | 4 | $9,376,312 | 42,241 | $2,001,984 |
| Household Appliances & Electronics | $0 | 0 | $0 | 0 | $0 |
| Home Improvement Stores* | $3,339,989 | 2 | $2,810,070 | 18,233 | $529,920 |
| **Automotive Group** | **$87,199,238** | **5** | **$49,159,279** | **8,208** | **$38,039,960** |
| Vehicle Dealers/Auto Parts* | $82,217,973 | 4 | $46,147,148 | n/a | $36,070,825 |
| Gasoline Service Stations | $4,981,266 | 1 | $3,012,131 | 8,208 | $1,969,135 |

Source: ADE, retail sales data comes from the 2003/2004 State Board of Equalization sales tax records for the City of Milpitas, retail model developed from 1997 US Retail Census, and the 2002 Bureau of Labor Statistics Household Expenditure Surveys. Data adjusted for inflation using CPI. Potential square footage demand based on data from the Urban Land Institute.

Notes: Spending and sales do not include non-store retail establishments, which include mail order, home shopping, and direct selling.

Spending capture assumptions are based on data from the Milpitas Local Business Survey. Spending for individual retail categories was adjusted so that spending capture cannot exceed existing retail sales.

Retail categories marked with asterisks (*) are aggregated categories due to confidentiality requirements. The market area is defined as the City of Milpitas

## ATTRACTION OF REGIONAL SPENDING AND COMMUTERS

As noted, Milpitas' retail stores draw significant spending from outside of the city. These consumer groups include households from surrounding communities, workers commuting into Milpitas, and business-to-business transactions.

### REGIONAL HOUSEHOLD SPENDING CAPTURE

Based on data from the Local Business Survey, Milpitas retail stores capture approximately $323 million of household spending from outside of Milpitas. Apparel stores attract the largest proportion of this spending with a total regional attraction of about $74 million, with $44 million attracted by Milpitas family clothing stores. The next largest attractors of regional spending are eating places, and department/other general merchandise stores, which each attract over $35 million from outside of Milpitas.

Geographically, households in San Jose accounted for the largest single group of regional spending with about $126 million spent in Milpitas annually. Somewhat surprisingly, households in the Tri-City area only accounted for $63 million of regional retail spending capture. This is a clear indication that Milpitas' regional market points south. The remaining $134 million of regional spending capture comes from other parts of the Bay Area, including other parts of Santa Clara County, the 680 corridor, as well as unassigned spending from outside of Milpitas.[19] (Table C-6)

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[19] The unassigned spending could also include some additional spending capture from San Jose and the Tri-City area. Some of the survey respondents did not geographically allocate their customers outside of Milpitas, and those responses are included in this category.

**TABLE C-6**
**Milpitas Retail Sales Capture**
**by Consumer Group**

| Consumer Group | Retail Sales Capture |
| --- | --- |
| Milpitas Households | $257,049,115 |
| Tri-City Households | $62,766,892 |
| San Jose Households | $125,824,094 |
| Other Households | $134,131,722 |
| Commuter Employees | $194,892,596 |
| Other Businesses | $88,947,589 |

Source: ADE, retail sales data comes from the 2003/2004 State Board of Equalization sales tax records for the City of Milpitas

## COMMUTER SPENDING

Milpitas has a daytime workforce population of about 56,000 workers who work in Milpitas, but do not live in the community. This creates a very large potential spending base that comes into the community every day, and responses from the Local Business Survey indicate that commuters account for a significant portion of Milpitas' retail sales.

Daytime commuters to Milpitas spend about $195 million at local retail stores annually. About $73 million of this spending goes to restaurants and eating places. This is a clear indication that Milpitas' role as a job provider has significant benefit to local retailers and the city's sales tax revenue.

## BUSINESS–TO–BUSINESS TRANSACTIONS

In addition to commuters and regional household capture, Milpitas businesses also generate sales for local retailers. Business-to-business transactions account for about $89 million of retail sales in Milpitas. More than half of this spending goes to eating places and home improvement stores (Table C-7)

**TABLE C-7**
**Milpitas Capture of Retail Spending by Other Consumers**

| Retail Group | Capture of Regional Household Spending | Commuter Spending | Business-to-Business Spending |
|---|---|---|---|
| **Total** | **$322,722,707** | **$194,892,596** | **$88,947,589** |
| **Apparel Store Group** | **$73,641,897** | **$22,047,865** | **$6,173,344** |
| Women's Apparel | $16,612,293 | $4,989,828 | $1,397,138 |
| Men's Apparel | $3,499,716 | $1,269,415 | $355,433 |
| Family Clothing | $44,376,811 | $12,767,528 | $3,574,874 |
| Shoe Stores | $9,153,077 | $3,021,095 | $845,899 |
| **General Merchandise Group** | **$52,869,821** | **$23,537,037** | **$6,590,308** |
| Department/Other General Merchandise Stores* | $35,626,169 | $17,325,473 | $4,851,086 |
| Drug Stores | $17,243,652 | $6,211,564 | $1,739,222 |
| **Specialty Retail Group** | **$60,583,934** | **$20,038,229** | **$5,610,651** |
| Gifts & Novelties | $4,382,581 | $1,487,021 | $416,362 |
| Sporting Goods | $11,122,181 | $3,272,815 | $916,380 |
| Records & Music | $3,976,871 | $1,304,905 | $365,370 |
| Books & Stationery | $3,501,130 | $1,227,800 | $343,781 |
| Office Supplies/Computer Equipment | $3,870,208 | $1,871,258 | $523,947 |
| Jewelry | $6,503,654 | $2,176,061 | $609,291 |
| Misc. Specialty Retail (inc. Florists and Photo Eq.)* | $27,227,310 | $8,698,369 | $2,435,520 |
| **Food, Eating and Drinking Group** | **$63,751,115** | **$91,027,153** | **$31,329,090** |
| Grocery Stores | $17,460,960 | $16,077,344 | $4,501,614 |
| Specialty Food Stores | $4,231,704 | $1,409,400 | $394,628 |
| Liquor Stores | $111,030 | $448,360 | $125,540 |
| Eating Places | $41,947,422 | $73,092,050 | $26,307,308 |
| **Building Materials and Home Furnishings Group** | **$43,402,488** | **$22,570,371** | **$33,875,182** |
| Furniture & Home Furnishings/Used Merchandise* | $1,328,727 | $2,551,265 | $714,348 |
| Household Appliances & Electronics | $23,729,490 | $6,960,713 | $1,948,981 |
| Home Improvement Stores* | $18,344,270 | $13,058,393 | $31,211,853 |
| **Automotive Group** | **$28,473,452** | **$15,671,941** | **$5,369,015** |
| Vehicle Dealers/Auto Parts* | $10,992,697 | $5,845,578 | $2,617,659 |
| Gasoline Service Stations | $17,480,755 | $9,826,364 | $2,751,356 |

Source: ADE, retail sales data comes from the 2003/2004 State Board of Equalization sales tax records for the City of Milpitas, retail model developed from 1997 US Retail Census, and the 2002 Bureau of Labor Statistics Household Expenditure Surveys. Data adjusted for inflation using CPI. Potential square footage demand based on data from the Urban Land Institute.

Notes: Spending and sales do not include non-store retail establishments, which include mail order, home shopping, and direct selling.

Spending capture assumptions are based on data from the Milpitas Local Business Survey. Spending for individual retail categories was adjusted so that spending capture cannot exceed existing retail sales.

Retail categories marked with asterisks (*) are aggregated categories due to confidentiality requirements. The market area is defined as the City of Milpitas

# KEY RETAIL ISSUES

Milpitas' retail sector has served the community very well, and established itself as a destination for shoppers. However, this sector must remain competitive in order to continue providing positive benefits to the community, in terms of serving consumer demand, propping up the City's sales tax collections, and even improving the community's image. The following issues address both existing shortcomings in Milpitas' retail sector, and competitive pressures that have emerged.

## ATTRACTING AUTO DEALERSHIPS

Auto dealerships represent the only major retail category where Milpitas has a very low concentration. Other retail categories have leakage large enough to support new businesses if it can be recaptured. However, auto dealerships alone account for over half of the estimated retail sales by local households that leave Milpitas. Milpitas' household spending alone should support two to three average automobile dealerships.[20] Right now, all of this spending, except for those households who buy their cars from Billings Chevrolet, goes to dealers in surrounding communities. Newark, Fremont, and San Jose all have auto mall developments, and this has put Milpitas at a disadvantage in this key retail category. The potential for Milpitas increases after including spending from the surrounding communities.

The City has begun to address this issue and has planned for auto dealership space along the Great Mall Parkway adjacent to I-880.

## RETAINING EXISTING REGIONAL CAPTURE AND COMMUTER SPENDING

Milpitas has successfully captured retail spending from neighboring communities partly because up to this point, those communities have lacked the diverse variety of viable and modern retail stores that Milpitas has. However, this

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[20] The average sales per auto dealership in Santa Clara County is $40 million, while the national average is about $25 million. The annual total new car dealer spending by Milpitas households totals about $84 million.

situation has begun to change and that could potentially affect the degree to which Milpitas can continue to attract retail spending from neighboring communities. As communities like Fremont and north San Jose attract new retail stores and refurbish existing retail centers, Milpitas will need to adapt to these changes in the market in order to retain or expand upon its regional retail capture.

At the Auto Mall Parkway exit along I-880, the City of Fremont has begun implementing Phase I of the Pacific Commons development, which includes a power center that will be anchored by a Kohl's department store and Lowe's home center. The Kohl's store opened in October 2004. In addition, the Fremont City Council approved a Wal-Mart store that will also locate along Auto Mall Parkway. These developments will likely divert at least some shopping trips by Tri-City residents that currently head into Milpitas.

In addition, some of the retail centers in the Berryessa and Alum Rock area of San Jose have recently remodeled and added new anchor stores. This development activity has coincided with the new VTA light rail extension that runs along Capitol Avenue. Incidentally, the light rail extension also makes the Great Mall more accessible to residents in this area.

In these cases, the types of retail developments that neighboring communities have pursued are comparable to some of the uses that exist at McCarthy Ranch. To a large extent, the new competing retail uses are different from what the Great Mall offers. The Great Mall represents a unique asset that the surrounding communities cannot easily duplicate. Its mix of entertainment, specialty stores, and apparel is different than anything offered by neighboring communities.

As cities like Fremont pursue new power center development, shopping trips to McCarthy Ranch are likely to decrease, because the mix of stores in those power centers overlap. However, the continued presence of the Great Mall and Milpitas' unusually large concentration of ethnic retail centers can help to maintain a large degree of regional retail capture by continuing to attract shopping trips into Milpitas and letting shoppers link multiple errands onto a single trip.

A key to maintaining Milpitas' regional retail capture is to offer shopping opportunities distinct from what neighboring communities offer, while still providing the more conventional retail staple goods that they currently buy in Milpitas. Unlike Fremont or San Jose, Milpitas is not playing catch up and trying to reverse a tide of spending that currently leaves the community. The community has retail assets in place, as well as an existing pattern of shoppers coming into Milpitas from outside. Expanding upon an existing strength, while knowing that some shifts in the spending patterns will likely occur, is the challenge for Milpitas.

## DIVERSIFYING INTO NEW RETAIL MARKETS

Even though Milpitas is well covered in nearly all retail sectors, with minimal retail leakage for the most part, there are specific market segments that represent opportunities for new retail business development in Milpitas. Because of emerging competition, Milpitas needs to identify markets that add to the diversity of the existing retail base. As mentioned earlier, Milpitas' neighborhood and community shopping centers generally serve the middle market. This works on the assumption that Milpitas' residents primarily occupy a middle market demographic.

However, since the 1990s, Milpitas' overall average household income has grown from about $60,500 to nearly $100,000, which makes Milpitas' household income characteristics comparable to other communities in Silicon Valley. Milpitas is well positioned to benefit from this more upscale household base by attracting upscale retail stores and restaurants. Moreover, surrounding communities have similarly high incomes, yet none of them have attracted significant upscale retail development either. This is a case where the retail sectors have not evolved as quickly as the community demographics have. For example, no upscale supermarkets comparable to Whole Foods, Andronico's, or Draeger's currently operate anywhere along the I-880 corridor from San Leandro down to Alum Rock in San Jose. In addition, Milpitas does not have a base of distinctive and upscale restaurants either. These types of retail categories would represent an opportunity to attract new regional household

spending, as well as additional commuter spending and business-to-business spending.

With the Midtown plan well underway, the more urban building scale and mixed density housing planned for that district represents an excellent opportunity to attract these types of upscale uses. The new residential population would also prop up the spending support for newer businesses.

Concurrent to a strategy of bringing Milpitas' retail sectors more in line with its high local and regional income base, Milpitas can further capitalize on its emerging image as a destination for ethnic retail stores. As identified in the Local Business Survey, Milpitas establishments conduct business in a wide variety of languages. Milpitas Square is a highly successful retail center that serves Chinese shoppers from throughout Silicon Valley and the East Bay.

In addition, there are other neighborhood shopping centers that have transformed into concentrations of ethnic businesses. While Milpitas Square was developed from the ground up and marketed as a Chinese-oriented retail center, other ethnic businesses have opened in various locations throughout Milpitas, particularly in older neighborhood and community shopping centers. This demonstrates a market shift and a reuse of store spaces that might have otherwise sat vacant. Capitalizing and expanding upon this international retail theme could potentially entail both filling existing retail vacancies and new development. This process could also include identifying developers and business owners that already operate successful ethnic businesses in other communities.

# APPENDIX D: MILPITAS BENCHMARKS

## HOUSING

### WAGES & HOUSING AFFORDABILITY

#### Why is this important?

Affordable housing is essential to a vibrant and competitive community. Affordable single-family homes or apartments can reduce poverty by creating opportunities to hold steady jobs, encourage self-sufficiency and provide access to education, transportation and community services. The Wage & Housing Affordability indicator compares the average industry wage and median home price for Milpitas and select cities. The measure indicates the number of workers making the average wage would be needed to qualify for purchasing a home at the median price.

#### How Are We Doing?

The average wage paid to a Milpitas worker in 2003 is fairly high—$78,159. 1.3 Wage earners are needed to afford a median priced home in Milpitas - this is the lowest ratio of any of the comparison cities. The average in California is 2.1

**FIGURE D-1**
**Wages and Housing Availability**
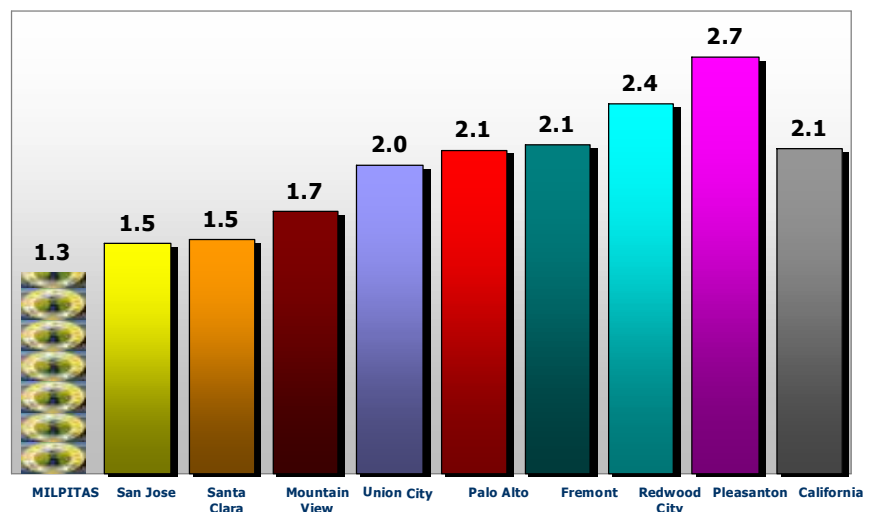


Source: Calculations by Applied Development Economics; home prices from DataQuick (median 2003), wages from the Quarterly Census of Employment and Wages 2002 with an adjustment made for 2003 based on the Consumer Price Index, Income needed to Qualify to purchase a home based on formula provided by the California Association of Realtors®

wage earners needed to afford a median priced home.

## LABOR FORCE AND UNEMPLOYMENT

### Why is this important?
Understanding the employment rate in the community can help decision makers formulate policies for creating jobs, affordable housing, and programs for assistance. The unemployment rate tracks those seeking employment within a community and is calculated by the Labor Market Information Division of the California Employment Development Department as a percent of those in the labor force seeking employment

### How are we doing?
The overall unemployment rate for Milpitas in 2003 was 5.4 percent; this was the second highest of all comparison cities

**FIGURE D-2**
**Unemployment Rate 2004**

| Pleasanton | Palo Alto | Redwood City | Fremont | Mountain View | Union City | Santa Clara | MILPITAS | San Jose | California |
|---|---|---|---|---|---|---|---|---|---|
| 2.6% | 2.7% | 3.1% | 3.6% | 3.6% | 3.8% | 5.0% | 5.4% | 6.2% | 5.7% |

Source: The Labor Market Information Division of the California Employment Development
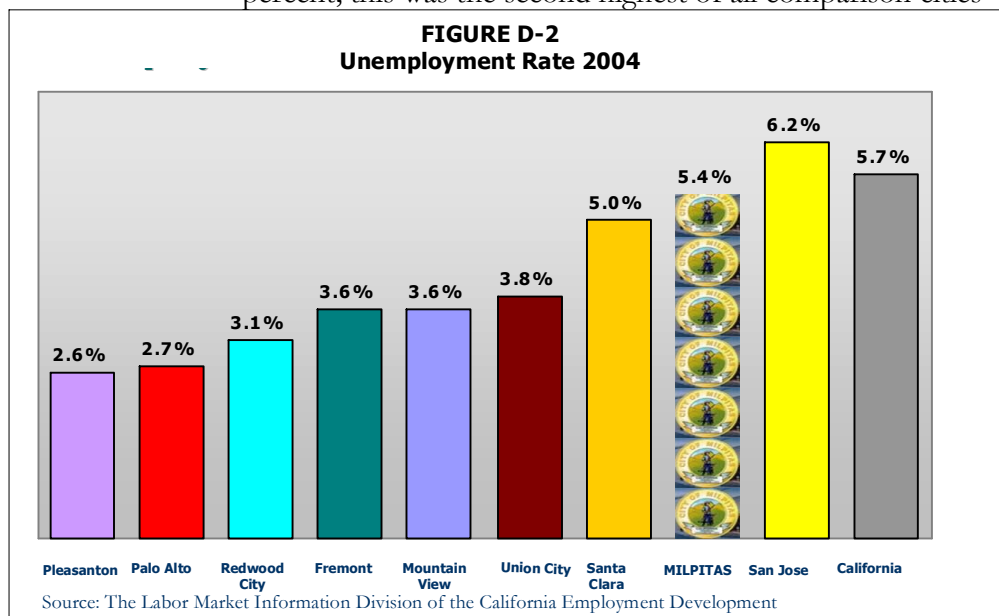
with San Jose at 6.2 percent. The unemployment rate for all California was 5.7 percent

## RESIDENTS SPEAKING AT LEAST TWO LANGUAGES

### Why is this important?
In a globalizing world it is important to be able to communicate in more than one language. This is especially true in the San Francisco Bay Area as a hub of global culture, tourism and business.

Speaking more than one language also reflects important demographic variables. Having a large number of residents speaking more than one language can mean different things. On the one hand, it can reflect higher levels of education and on another recent immigration.
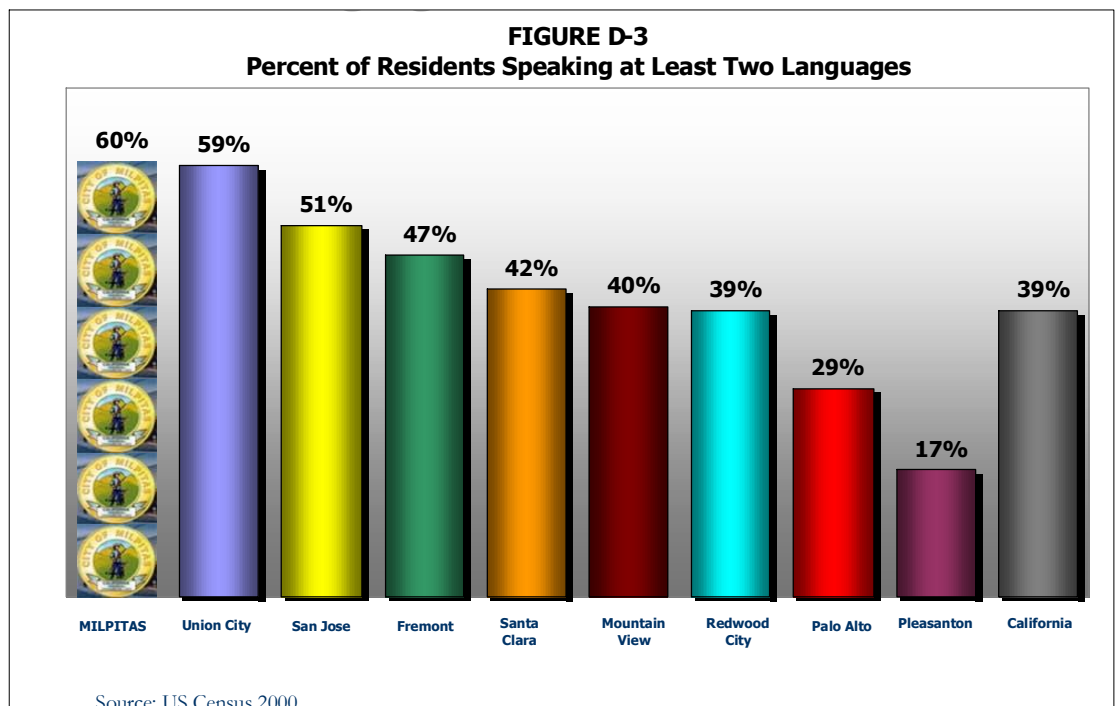
The residents speaking more than two languages is measured using Census 2000 data and is calculated as a percentage of all residents.

## How Are We Doing?

With 60 percent of Milpitas residents speaking more than one language Milpitas has the largest percentage of residents speaking more than one language compared to other cities.

Only two other cities have more than 50 percent of residents speaking more than one language, Union City with 59 percent and San Jose with 51 percent.

Almost all the Bay Area cities listed have more residents speaking more than one language than the California average of 39 percent. The only cities lower than the California indicator are Pleasanton at 17 percent and Palo Alto with 29

**FIGURE D-3**
**Percent of Residents Speaking at Least Two Languages**



| MILPITAS | Union City | San Jose | Fremont | Santa Clara | Mountain View | Redwood City | Palo Alto | Pleasanton | California |
|----------|-----------|----------|---------|-------------|---------------|--------------|-----------|------------|-----------|
| 60% | 59% | 51% | 47% | 42% | 40% | 39% | 29% | 17% | 39% |

Source: US Census 2000

percent.

## PERCENT OF EMPLOYED RESIDENTS WORKING AT HOME

### Why is this important?

Working at home means that Milpitas residents either work at home from a home based business, often owner operated, or they work for an employer that allows telecommuting. Owner-operator businesses are often small but important because they demonstrate entrepreneurial spirit within a community

### How Are We Doing?

In Milpitas, 2 percent of all workers work from home; this is 451 workers out of the total of 29,850. Palo Alto and Pleasanton have the greatest percentage of people that work at home at 7 percent and 5 percent respectively. Statewide, 4
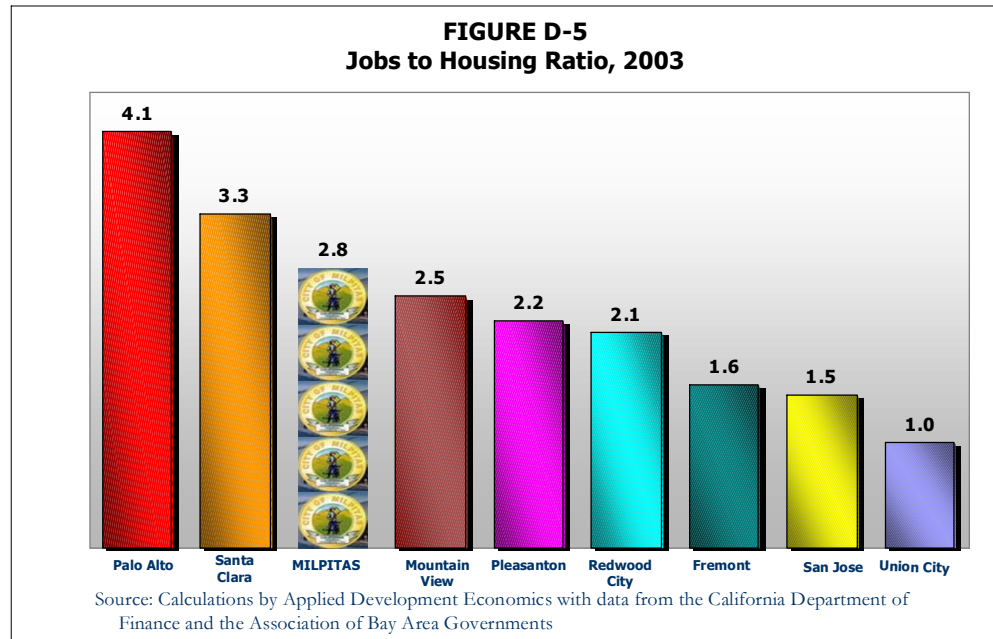


**FIGURE D-4**
**Percent of Employed Residents Working at Home, 2000**

Source: US Census 2000
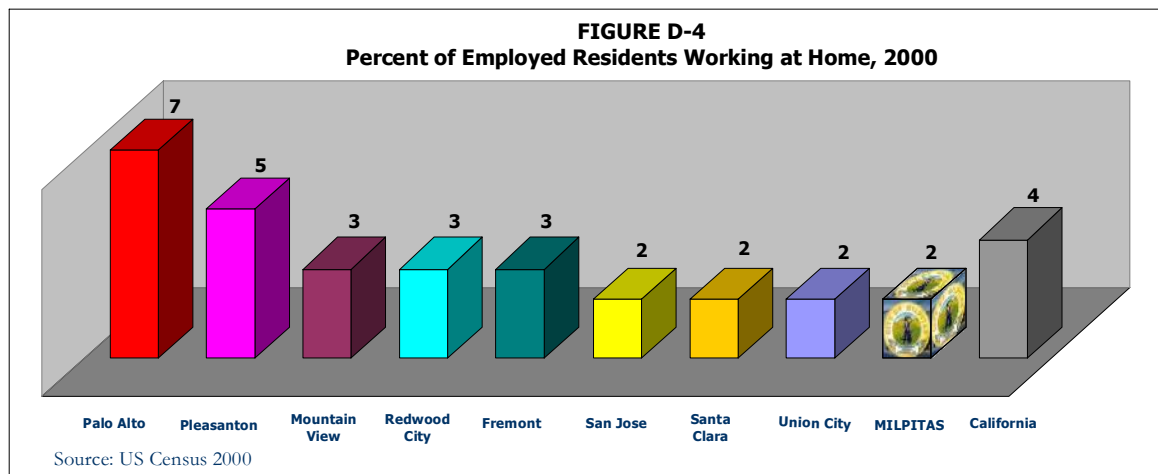
percent of workers work at home.

## JOBS TO HOUSING BALANCE

### Why is this important?

A jobs/housing imbalance contributes to traffic congestion, air pollution, high infrastructure costs and sprawl. This measure is the number of workers compared to the number of housing units within a jurisdiction. The California Housing and Community Development Department has suggested that a 1.5 ratio of jobs to housing units is the optimal jobs to housing balance.

How are we doing?

**FIGURE D-5**
**Jobs to Housing Ratio, 2003**



Source: Calculations by Applied Development Economics with data from the California Department of
Finance and the Association of Bay Area Governments

In Milpitas there are 2.8 jobs for every housing unit indicating a job rich city. Both Palo Alto and Santa Clara have higher jobs/housing imbalance. Milpitas ranks closely to Mountain View, Pleasanton, and Redwood City

## COMPARISON OF LABOR FORCE TO WORKERS

### Why is this important?
Having more jobs than resident workers shows a job rich city and one that is a net importer of jobs as opposed to an exporter. The labor force estimate is supplied by the Labor Market Information Division of the Employment Development Department of California. It is compared to the estimated number of workers by industry; an indicator of at least one job for every available worker would be a positive indicator

### How are we doing?
In Milpitas there are 1.8 jobs for every eligible worker. The city with the highest number of jobs compared to its labor

force is Palo Alto at 3.3. Union City on the other hand is a net exporter of jobs with only 0.6 jobs per eligible resident.

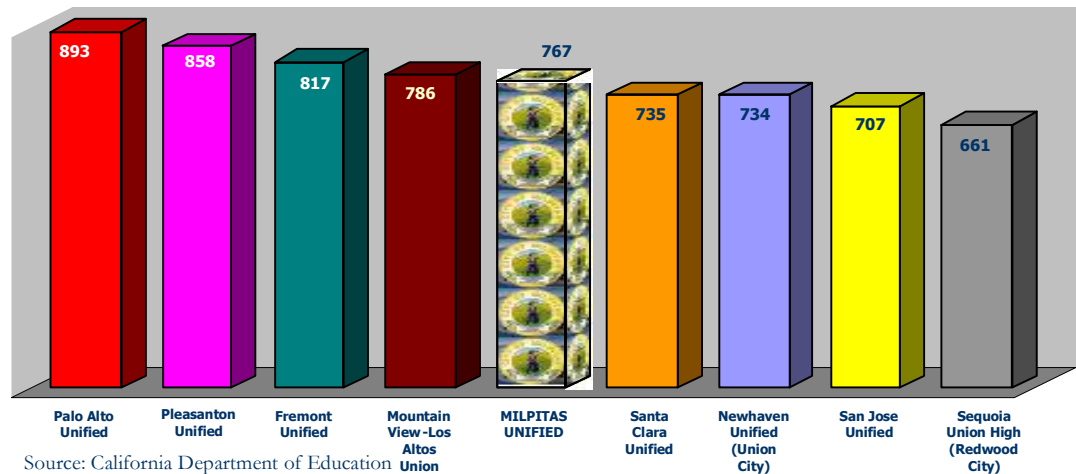| TABLE D-1 | | | |
|---|---|---|---|
| **Comparison of Labor Force to Workers, 2000** | | | |
| | **Labor Force** | **Workers** | **Ratio of Workforce to Labor Force** |
| Union City | 33,230 | 18,680 | 0.6 |
| San Jose | 436,890 | 442,670 | 1.0 |
| Fremont | 102,187 | 108,410 | 1.1 |
| Redwood City | 57,807 | 62,000 | 1.1 |
| Milpitas | 34,289 | 50,280 | 1.5 |
| Pleasanton | 36,550 | 54,110 | 1.5 |
| Mountain View | 47,556 | 82,370 | 1.7 |
| Santa Clara | 55,528 | 135,960 | 2.4 |
| Palo Alto | 42,992 | 110,890 | 2.6 |

Source: Applied Development Economics with data from the Association of Bay Area Governments

## ACADEMIC PERFORMANCE

### Why is this important?

Academic performance indicates how well students are performing overall in each school district. The Academic Performance Index (API) is the centerpiece of the statewide accountability system in California public education. The API reflects a school's performance on student assessments that are part of California's Standardized Testing and Reporting (STAR) program plus results from the California High School



**FIGURE D-6**
**Academic Performance Index, 2003**

| Palo Alto Unified | Pleasanton Unified | Fremont Unified | Mountain View-Los Altos Union | MILPITAS UNIFIED | Santa Clara Unified | Newhaven Unified (Union City) | San Jose Unified | Sequoia Union High (Redwood City) |
|---|---|---|---|---|---|---|---|---|
| 893 | 858 | 817 | 786 | 767 | 735 | 734 | 707 | 661 |

Source: California Department of Education

Exit Examination (CAHSEE). The statewide API performance target for all schools is 800; scores are possible between 200 and 1000

## How are we doing?
Milpitas has an API score of 767. Palo Alto has the highest API score of the indicator cities at 893. Compared to all the other indicator cities, Milpitas is about average for its academic performance.

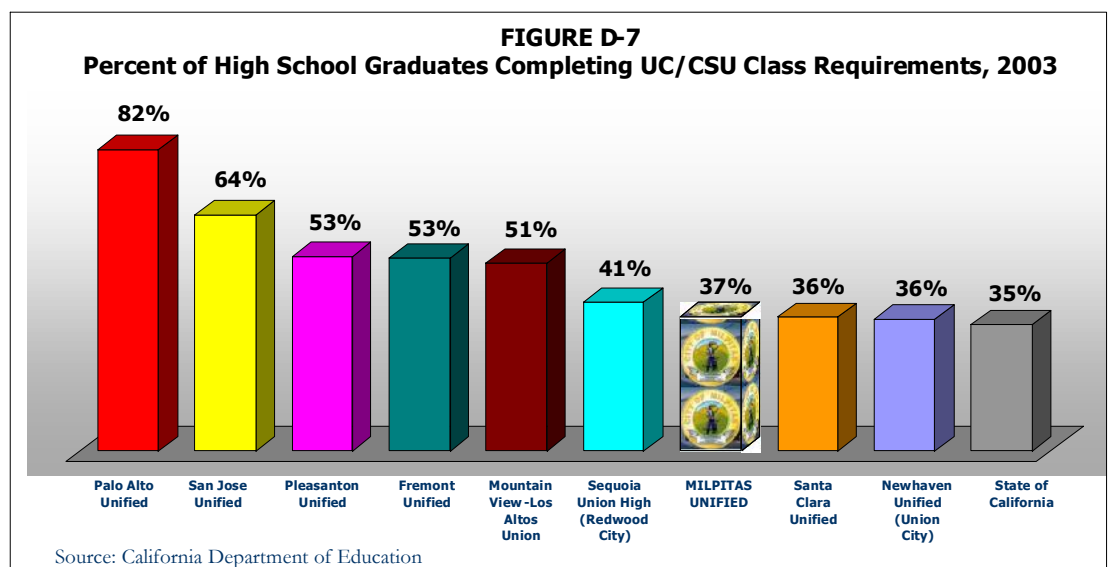# HIGH SCHOOL GRADUATES COMPLETING UC/CSU CLASS REQUIREMENTS

## Why is this important?
The number of students completing UC or CSU class requirements is indicator of how well prepared students are for college. The indicator for graduating high school seniors completing the required courses to attend a UC or CSU campus is calculated as a percent of all graduates. 35 percent or more of graduating seniors taking the required courses would be an above average indicator.

## How are we doing?
In 2003, 37percent of high-school graduates in Milpitas completed the class requirements needed to attend either the University of California or California State University.

This was slightly above the California average of 35 percent of high-school graduates completing the necessary classes.

**FIGURE D-7**
**Percent of High School Graduates Completing UC/CSU Class Requirements, 2003**



Source: California Department of Education

Palo Alto had the highest number of high-school graduates completing the necessary classes to attend either the University of California or California State University at 82 percent. Although above the California average, Milpitas is still one of the lowest of the indicator cities graduating high-school seniors that have completed the necessary coursework to attend either a University of California or California State University.

# TAXABLE RETAIL SALES PER CAPITA

## Why is this important?
In California taxable retail sales are the main component of a city's revenue. Measuring sales per capita can show how well different retail categories are meeting the needs of residents. Per-capita sales equals the taxable sales as reported by the state Board of equalization divided by the number of residents in each city as reported by the California Department of Finance for the same year. The California average of $8,600 in sales per capita.

## How are we doing?
Milpitas has per-capita sales of about $13,000 for all retail categories. The indicator city with the highest sales per capita is Palo Alto with almost $19,500. Pleasanton also has high sales per capita sales with almost $17,500 for all retail categories. The category with the highest sales per capita in Milpitas is eating and drinking

| TABLE D-2 Taxable Retail Sales Per Capita, 2002 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Milpitas** | **Mountain View** | **Palo Alto** | **Pleasanton** | **Redwood City** | **Union City** | **San Jose** | **Santa Clara** | **Fremont** | **California** |
| Eating & Drinking | $2,635 | $1,640 | $3,335 | $1,733 | $1,331 | $942 | $948 | $1,782 | $743 | $1,088 |
| Other Retail Stores | $2,582 | $1,864 | $3,879 | $2,864 | $1,875 | $2,739 | $1,539 | $2,983 | $1,107 | $1,558 |
| General Merchandise | $1,907 | $3,387 | $4,279 | $4,603 | $2,223 | N/A | $1,252 | $2,160 | $651 | $1,385 |
| Apparel | $1,803 | $226 | $1,826 | $1,497 | $361 | $183 | $376 | $427 | $50 | $401 |
| Building Materials | $1,167 | $509 | $302 | $1,126 | $692 | $1,362 | $800 | $903 | $703 | $738 |
| Service Stations | $866 | $1,116 | $621 | $665 | $668 | $446 | $714 | $752 | $556 | $684 |
| Home Furnishings & Appliances | $802 | $734 | $998 | $820 | $533 | $219 | $384 | $1,426 | $251 | $400 |
| Food | $592 | $673 | $605 | $625 | $755 | $413 | $444 | $507 | $489 | $541 |
| Auto Dealers & Auto Supplies | $536 | $1,377 | $3,577 | $3,483 | $4,694 | $164 | $1,574 | $4,978 | $2,307 | $1,823 |
| Retail Store Totals | $12,890 | $11,524 | $19,421 | $17,417 | $13,133 | $6,469 | $8,029 | $15,917 | $6,856 | $8,618 |

Source: Calculations by Applied Development Economics with data from the California Department of Finance, the California State Board of Equalization.

## SALES PER SQUARE FOOT FOR SELECT BAY AREA MALLS

## Why is this important?

The estimated sales per square foot at regional malls is an indicator of retail health. Since city revenue is often dependent on retail sales, a regional mall can be a major contributor of taxes. This indicator compares the reported sales per square foot of select Bay Area malls.

## How are we doing?

The Great Mall of The Bay Area in Milpitas had reported sales per square foot in 2003 of $248. Valley Fair had the largest reported sales per square foot of $634. Of all the Bay Area malls shown in Table D-3 the Great Mall of the Bay Area in Milpitas had the second lowest sales per square foot with only Vallco Fashion Mall lower with sales per square foot of $200. Sales per square foot above the U.S. average of $350 would be a positive indicator

| TABLE D-3 Estimated Sales Per Square Foot for Select Bay Area Malls, 2003 | |
|---|---|
| Stanford Shopping Center | $760 |
| Valley Fair | $634 |
| San Francisco Centre | $544 |
| Stonestown Galleria | $467 |
| Oakridge | $355 |
| U.S. Average | $350 |
| Great Mall of the Bay Area | $248 |
| Vallco Fashion Mall | $200 |

Source: Westfield America Trust annual report, 2003; Macercih Company press release database; Silicon Valley/San Jose Business Journal and the San Jose Mercury News

## NUMBER OF ENTERTAINMENT BUSINESSES

## Why is this important?

The number of entertainment businesses can help to measure night life in a city. Having cultural amenities, including restaurants, galleries, movie theaters, and others business that cater to workers and residents in the after hours can help create a vibrant and social community. Indicators for

entertainment and night life are the number of businesses that are often opened after work hours.

## How are we doing?

Milpitas has a total 96 businesses in the entertainment category. The only other cities with fewer businesses is Union City with 66. As expected, San Jose has the greatest number with 855. Of the cities of similar size as Milpitas, Mountain View has 119 businesses; Pleasanton has 90, which is less than Milpitas; and Palo Alto has 96, the same as Milpitas.

| TABLE D-4<br>Entertainment Venues, 2004 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Number of Businesses | | | | | | | | | |
| | Milpitas | Mountain View | Palo Alto | Pleasanton | Redwood City | Union City | San Jose | Fremont | Santa Clara |
| Full Service Restaurants | 88 | 98 | 78 | 75 | 90 | 54 | 614 | 152 | 148 |
| Drinking Places, Clubs, Lounges | 2 | 10 | 4 | 7 | 10 | 5 | 74 | 18 | 13 |
| Movie Theaters | 2 | 2 | 5 | 2 | 1 | 1 | 16 | 2 | 1 |
| Other Entertainment | 3 | 8 | 6 | 5 | 12 | 6 | 139 | 16 | 26 |
| Galleries | 1 | 1 | 3 | 1 | 1 | 0 | 12 | 3 | 1 |
| **Total** | **96** | **119** | **96** | **90** | **114** | **66** | **855** | **191** | **189** |

Source: Zapdata, A Dun & Bradstreet Company, 2004

# APPENDIX E: MILPITAS SWOT ANALYSIS

## OVERVIEW

The opportunity to recruit new business or keep existing ones is affected by a number of factors, including the availability and price of competitive business sites, the readiness of infrastructure to accommodate business expansions and relocations, and future regional transportation and development patterns. While we may not always think of Milpitas as competing with other cities, its economic fate hinges on its competitive position. Each time a business decides where to locate, a family decides to move, a vacationer decides where to visit, or a convention group decides to hold its next meeting, the city's relative advantages are weighed. It is therefore useful to systematically evaluate one's competitive advantages and disadvantages.

The SWOT analysis is conducted to identify the area's leading strengths, weaknesses, opportunities, and threats for economic development. The SWOT analysis provides a systematic scan of the current and anticipated future economic development. A well thought-out SWOT analysis leads directly to the following set of prioritized physical, marketing, and policy actions:

❑ **Strengths** the community can promote;

❑ **Weaknesses** the community acknowledges or fixes;

❑ **Opportunities** the community can prepare for;

❑ **Threats** the community mitigates if at all possible.

The Information developed during the SWOT analysis helps:

❑ Evaluate the effectiveness of the existing economic development program;

❑ Identify new policies or modify existing policies that affect job creation;

❑ Establish new and/or strengthen existing economic development programs and practices.

❑ Prioritize actions that will most effectively use existing limited staff and financial resources.

# SWOT METHODOLOGY

The Milpitas SWOT process involved the use of existing studies and plans, secondary data, and primary data collection from individual interviews and meetings with stakeholder groups. The primary data and information gathered from stakeholders is important to the SWOT analysis. In particular, the information provided by the Economic Development Commission and attendees of the public forum was invaluable.

The initial SWOT priorities were presented to business, city staff, and the Economic Development Commission to establish their importance and how they should be addressed in the economic development strategic plan.

## INTERNAL FORCES: STRENGTHS & WEAKNESSES

**Internal** forces are characteristics of the community that local actions tend to be able to influence in either the short or mid-term. Internal forces are usually defined in terms of strength and weaknesses. The best way to determine whether a factor is a strength or weakness is by comparison with other cities and counties. Comparisons with other areas provide a benchmark of progress.

**Strengths** are assets or factors that give a community its competitive advantage and make the area an attractive place to be.

**Weaknesses** are factors or trends that are obstacles or constraints to economic development. Weaknesses can take on several forms; they can be social, physical, financial, regulatory, operational, and so forth. In the case of business, weaknesses are factors of local economy that make it difficult for a business to develop, operate profitably or grow.

**Neutral** factors are those assets or factors that are neither strengths nor weaknesses or do not apply. Not all factors will be able to be categorized as a strength or weakness, for example, offering a tax incentive that is similar to those found

in other areas. Nevertheless, these factors may be critical to the overall economic plan or strategy.

## EXTERNAL FORCES INFLUENCING THE LOCAL ECONOMY

**External** forces are those economic factors that are driven by outside forces, and are thus generally outside of the influence of local actors. Examples of external factors include:

- ❑ Regulatory (state and federal) changes
- ❑ Actions of other governmental bodies
- ❑ Export/import trends
- ❑ Industrial sector shifts
- ❑ Social and political changes
- ❑ Demographic trends
- ❑ Technological changes

External factors can represent economic opportunities or threats. Recent business downsizing, for example, poses a threat in terms of job losses, but it also presents an opportunity: as a firm sheds activities that it normally conducted in-house, whether high-tech activities such as research and development or low-technology and back office activities such as printing, it creates opportunities for business in those areas. Downsizing also means that the remaining business is a stronger, more viable operation.

**Opportunities** are conditions external to the community that make it easier or possible to develop competitive advantages. This includes structural changes in the economy, demographic changes in the community, technological changes and so forth.

**Threats** are unfavorable trends or developments external to the economy that can lead to a loss or decline in a community's competitive advantage or economy in general.

## SWOT MATRIX

### ECONOMIC DEVELOPMENT COMMISSION'S SWOT

On August 11, 2003 the newly formed Milpitas Economic Development Commission conducted its own SWOT

analysis, and listed a number of strengths, weaknesses, opportunities and threats. That SWOT analysis is included as Attachment 1 of this Appendix Applied Development Economics (ADE) acknowledges the work of the commission, and finds that it was generally thorough and accurate. ADE has used the commission's analysis as the basis for our own expanded and refined analysis.

## REFINED AND EXPANDED SWOT MATRIX

Tables D-1 through D-3 present ADE's refined SWOT analysis, presented as a matrix. It identifies the strengths and weaknesses of Milpitas as either internal or external. It distinguishes the strengths and weaknesses that apply to industrial and office development, retail and small commercial development, and Midtown revitalization.

While the factors in each quadrant of the matrix are in bullet format, they are generally prioritized from the most important to the least important. The discussions section below provides further detail on the factors considered key.

**TABLE E-1**
**ECONOMIC DEVELOPMENT STRENGTHS AND WEAKNESSES OF MILPITAS**
**FOR INDUSTRIAL AND OFFICE DEVELOPMENT**

| | Strengths (sell as an advantage) | Weaknesses (needs improvement) |
|---|---|---|
| **Internal (Can be changed or influenced relatively quickly)** | ❏ Strong redevelopment program<br>❏ mix of industrial and office space, from small incubator and multi-tenant space to large floor plate office and industrial facilities;<br>❏ Plenty of new space available at office parks and industrial parks;<br>❏ Though some of the existing facilities need modernizing and upgrading, most are up to current standards;<br>❏ Lease rates for office, R&D, manufacturing, and warehouse space are competitive;<br>❏ Milpitas has a very strong jobs to housing ratio (2.8), indicating a strong employment base, but a weaker housing base;<br>❏ K - 12 education is average for the Silicon Valley, as measured by the Academic Performance Index (API);<br>❏ Large number of world-class academic and research institutions exist within an easy driving distance; | ❏ Milpitas is among the last communities recognized when conducting an industrial site search in the Silicon Valley. In fact Milpitas is considered a part of the San Jose/Santa Clara environment.<br>❏ Of the city's 30,000 employed residents, only 6,000 work in Milpitas;<br>❏ High vacancy rate for existing industrial and office buildings;<br>❏ The city's unemployment rate is higher than many other Silicon Valley communities except for San Jose, indicating the need to upgrade the skills of local residents;<br>❏ Housing opportunities should be strengthened so more of Milpitas' work force can live in the city rather than commute; |
| **External (Cannot be easily changed or influenced)** | ❏ The city's daytime work force is 56,000. Most commute to Milpitas from other communities;<br>❏ Milpitas is within commute distance for hundreds of thousands of workers;<br>❏ The city's industrial employment is driven by its key clusters, including computers, communications, hardware, semiconductors, software, and medical devices;<br>❏ Excellent location amid the country's largest center of high technology companies;<br>❏ Access to employment and markets is as good as anywhere in the Silicon Valley or Bay Area.<br>❏ Close proximity to San Jose, Oakland and SFO airports for both cargo and passenger travel;<br>❏ Close proximity to Oakland and other ports for waterborne transport; | ■ Ongoing traffic congestion, a perennial problem.<br>■ City is almost built out, with 158 acres of industrial land still vacant and 39 acres of office land still vacant.<br>■ The San Jose landfill at the Dixon Landing Interchange of I-880 is a liability. The City should acknowledge its presence, note how far active landfill activities are from the city, and commit to continued mitigation of odors, dust and traffic. |

**TABLE E-2**
**ECONOMIC DEVELOPMENT STRENGTHS AND WEAKNESSES OF MILPITAS**
**FOR RETAIL AND SMALL COMMERCIAL DEVELOPMENT**

| | Strengths (sell as an advantage) | Weaknesses (needs improvement) |
|---|---|---|
| **Internal (Can be changed or influenced relatively quickly)** | ■ Strong redevelopment program, city finances, and civic participation; <br><br> ■ Many local and regional business organizations support local business, (including the Milpitas Chamber of Commerce, the Vietnamese American Chamber of Commerce, the Taiwanese American Chamber of Commerce, the Hispanic Chamber of Silicon Valley and the Milpitas downtown Business Association; <br><br> ■ Many existing service providers to assist small businesses, such as the small Business Administration. <br><br> ■ One-fourth of the city's retail sales are generated at the Great Mall ($213 million). One-fifth of all sales are generated at McCarthy Ranch ($171.5 million); <br><br> ■ Established niches in ethnic retail markets. | ■ Though not built out, Milpitas has limited opportunities for new development. Most undeveloped land is infill; <br><br> ■ Store mix does not reflect upscale income levels in community; <br><br> ■ Some shopping centers show signs of age; <br><br> ■ Great Mall not yet performing up to its potential; |
| **External (Cannot be easily changed or influenced)** | ■ Strong retail capture from existing residents, surrounding cities, daytime employees. <br><br> ■ Milpitas residents spend $400 million per year at retail stores <br><br> ■ Milpitas retailers generated $850 million in sales in 2003; <br><br> ■ Daytime employees and residents within 15 minutes of Milpitas spend $3 billion per year at retail stores, indicating there is potential for additional retail capture; <br><br> ■ Regional market of over $2 billion in household spending; <br><br> ■ Average annual household income is $99,000. Household incomes rose dramatically over the last decade <br><br> ■ The Milpitas population is projected to increase 32.5% to 83,500 people by the year 2020. Much of this growth is projected in the Midtown area, which has plans for over 4,500 new dwelling units; <br><br> ■ Milpitas has 2,700 hotel rooms and hosts thousands of visitors every year | ■ New competition from San Jose and Fremont threatens to cut into regional market now captured by Milpitas. <br><br> ■ Uncertain ongoing impact of technology sectors. |

**TABLE E-3**
**ECONOMIC DEVELOPMENT STRENGTHS AND WEAKNESSES OF MILPITAS**
**FOR MIDTOWN AND DOWNTOWN REVITALIZATION**

|  | Strengths (sell as an advantage) | Weaknesses (needs improvement) |
|---|---|---|
| **Internal** (Can be changed or influenced, often relatively quickly) | ■ Strong redevelopment program. <br> ■ Thorough and well-planned Midtown Specific Plan, including library, light rail station, new housing units close to shopping and transportation.  Plan is far along in successful implementation. | ■ Though there is a defined Midtown, it is a large area and it is in a different location than the City Hall and Town Center.  As Midtown develops, under-performing Town Center will eventually need similar attention; |
| **External** (Cannot be easily changed or influenced) | ■ BART may come to the Great Mall in 10 years. | ■ Other downtowns have a head start (Mountain View, San Jose, Pleasanton etc.) |

# DISCUSSION AND STRATEGIC IMPLICATIONS OF SWOT FINDINGS

## OVERALL

**Redevelopment**. Milpitas has one of the state's strongest redevelopment programs, with 2003 assets of $66 million. The city has shown a willingness to use this very strong economic development tool for blight elimination, job creation, and affordable housing rehabilitation and development.

Milpitas has a very strong jobs to housing balance (2.8 jobs for every housing unit), indicating a strong employment base. This is a long-term advantage, which should ensure long-term fiscal health for the city, especially if it builds more housing stock for its existing workers. The city's daytime work force is 56,000[21]. Most of this workforce commutes to Milpitas fire from other communities. The city is within the greater Silicon Valley labor shed and so is within an easy commute distance of hundreds of thousands of workers.

Milpitas is still in an excellent location in the midst of the world's largest high technology cluster.

Kindergarten through 12th grade education is currently average, as measured by the Academic Performance Index (API) (See Appendix E, Benchmarks of this report). Strong efforts are acknowledged to be under way to improve test scores, coordinate curricula with the needs of local businesses, and provide technology training.

A large number of world-class institutions exist within easy driving distance though no major universities or research institutions exist within the city limits. It is more important for Milpitas and its businesses and its educational institutions to forge strong relationships with the existing colleges and universities than it is to try and develop one with in the city limits. For instance, San Jose City College offers classes at Milpitas High School.

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[21] Bureau of Labor Statistics, 2001. ABAG's 2002 estimate for jobs is 58,000

A key problem Milpitas faces when trying to attract new companies is its lack of reputation. Milpitas is not recognized the world over like San Jose or Santa Clara or even Fremont. In fact, there are as many negative perceptions as positive ones. A strong marketing/branding campaign is indicated. The branding and its related marketing should attempt to take advantage of the global contacts and diversity of the businesses and residents in the city. This can include supporting new internationally developing technologies, but only in cooperation with an established research institution.

Milpitas is in very close proximity to the San Jose airport, and close to the San Francisco airport for both cargo and passenger service. For those companies shipping product or raw materials by water, Oakland is in close proximity to Milpitas.

Unemployment is slightly higher than many other Silicon Valley communities. This indicates that there is a segment of the local work force in need of skills re-training.

Milpitas is approaching buildout, with 150 acres of industrial land still vacant, and 39 acres of office land still vacant. The city needs to carefully evaluate the future development of its last remaining vacant land, and to determine whether it is more appropriate to convert some of this land to retail and/or housing.

Milpitas has limited choices in housing types especially for families wanting executive housing. The city's existing housing stock is predominantly single-family tract housing, with an increasing amount of apartment and condominium development. The city has recently taken aggressive steps to provide more housing options by creating owner-occupied housing within context of its Midtown revitalization program. Unless Milpitas builds more executive housing, it will likely be unable to attract higher- earning households to the City.

### MIDTOWN

The Milpitas Midtown Specific Plan, which was adopted in 2002, has a number of housing and commercial redevelopment projects. This new urban redevelopment Plan includes a new library, housing close to existing and new shopping, and light rail and other transportation. The city has

made great strides in fulfilling this specific plan to provide new sales tax dollars and housing options. Creating and implementing the specific plan is probably the best thing the city could have done to promote economic development, and to create a better image for the city, thus making it more attractive to future residents and employers. The city should continue to aggressively pursue the midtown plan and its projects.

## INDUSTRIAL AND MAJOR OFFICE

Industrial and office product. Milpitas has a mix of industrial and office land and buildings, from small incubator and multi-tenant space to large open floor plan office and industrial sites. Several international technology corporations have established their headquarters in Milpitas as described in Appendix B.

There is currently plenty of building space available, but this is more a function of external economic factors, and is therefore a relatively short-term phenomenon Milpitas should have no trouble filling and refilling the spaces over time because lease rates are competitive. In the interim, the City should separately and in tandem with local commercial brokers, actively recruit new users to fill the vacant spaces. The web posting service on the City's web site is a good start, but active staff time conducting industrial attraction could be productive.

## RETAIL AND SMALL COMMERCIAL

The recent purchase of the Great Mall by the Mills Corp., an experienced mall owner/operator/developer, is an exciting development. The mall is currently under performing (about $200/square foot as opposed to average regional mall sales of $400/square foot), and has more square footage (1.4 million square feet) than has been possible to effectively fill in the past. The city is working closely with the Mills Corp. to help plan the changes, and to use redevelopment powers to assist with revitalization. The city's participation should include improving parking, transit, permitting and entitlements, employment services, helping link the Great Mall to residential areas, and improving access from Interstates 880 and 680. The city might also consider more multilevel

garages, which would free up some of the parking area for additional commercial, offices, and housing. Though the Great Mall is a tremendous asset for the city, it an under-performing asset unless the new owners and the city can take advantage of its redevelopment opportunities quickly. Other communities are also developing malls that will compete for retail dollars in the region (See Appendix C). If possible, the City should also hold as much land east and west along the Great Mall Parkway for future use as commercial and retail space. The city will benefit in the long run by establishing a full set of concentrated entertainment, dining, and shopping opportunities in and around that location.

While the Great Mall is responsible for 25% of all the city's retail sales ($213 million), 20% of all retail sales are generated at the McCarthy Ranch ($171.5 million). McCarthy Ranch is at an excellent location at the interchange of Interstate 880 and Highway 237, and although the McCarthy Ranch retail lands are full, surrounding lands can be further expanded as retail. Milpitas is in a strong position to capture a higher percentage of the large national chains represented at McCarthy Ranch, and to bolster its very strong regional retail draw.

Milpitas Square could be Northern California's largest Asian shopping center (17 acres, 165,000 square feet of buildings, 20 Asian restaurants and a total of 60 shops and restaurants). This unique concentration should be widely promoted as part of the city's overall global marketing campaign.

There are many existing service providers such as a Small-Business Development Center the Small Business Administration and many other local small business and employment assistance organizations. The city should help its business community take advantage of these services by improving contact and communication between them.

There are many local and regional business organizations that support local business, including the Milpitas Chamber of Commerce, the Vietnamese American Chamber of Commerce, the Taiwanese American Chamber of Commerce, the Hispanic Chamber of Silicon Valley, the Milpitas downtown Business Association, and Joint Ventures Silicon Valley. The City of Milpitas should take advantage of the

strong ethnic focus of many of these organizations as it celebrates and promote its ethnic diversity.

Milpitas has *2,*700 hotel rooms and hosts over 500,000 visitor stays every year, most of them related to business travel. Milpitas should help its hotels and motels work together for joint marketing to attract more business travelers, small meetings and conventions, as well as vacation travelers. The city's proximity to key employment centers, to shopping, and to most of the Bay Area's visitor attractions could be packaged and promoted. Active recruitment of event planners (e.g. soccer, softball, volleyball and other sports, symposia, corporate events, etc.) as well as active support of the arts, parks, etc. will enhance success.

# APPENDIX F: GLOSSARY OF TERMS

### API

The Academic Performance Index (API) is the cornerstone of California's Public Schools Accountability Act of 1999 (PSAA). The purpose of the API is to measure the academic performance and growth of schools. It is a numeric index (or scale) that ranges from a low of 200 to a high of 1000. A school's score on the API is an indicator of a school's performance level. The statewide API performance target for all schools is 800. A school's growth is measured by how well it is moving toward or past that goal. A school's base year API is subtracted from its growth API to determine how much the school improved in a year.

### Basic Industries

Industries that serve markets outside of local households, and export most of their products and services. These types of industries have the net effect of bringing wealth into a region by serving state, national, and global markets.

### Benchmark

A measurement or standard that serves as a point of reference by which process performance is measured.

### CEW

Census of Employment and Wages. The *Quarterly Census of Employment and Wages* (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. jobs, available at the county, MSA, state and national levels by industry.

### Class A Office Property

A term used to describe a modern and superior quality office building with state-of-the-art mechanical, electrical, and life safety systems and high quality interior and exterior finishes. These prestigious office buildings typically have a strong market presence and attract city's premier tenants.

## Clusters

Industry clusters are geographic concentrations of competing, complementary, or interdependent firms with common needs for talent, technology, and infrastructure. Industry clusters are formed around firms that sell outside the local, state, or national market and are driving forces in a regional or metropolitan economy.

## Core industry

Core industries represent sectors that generate multiplier activity in other industries.  In general, core industries have a high concentration of employment in a given region and have relationships with numerous supplier industries.  If these supplier industries are located in the local area, then it increases the multiplier effect generated by the core industry.

## CPI

The  Consumer Price Index  (CPI) measures the prices of consumer goods and services and is a measure of the pace of U.S. inflation. The U.S. Department of Labor (DOL) publishes the CPI every month.

## CSU

California State University

## Driving industries

Those industries within a specific region that are responsible for that region's economic vitality.

## Export-oriented industries

Same as Basic Industries

## Household

Household--A household includes all the people who occupy a housing unit. A housing unit is a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters. Separate living quarters are those in which the occupants live separately from any other people in the building and which have direct access from the outside of the building or through a common hall. The occupants may be a single family, one person living alone, two or more families

living together, or any other group of related or unrelated people who share living arrangements.

## Innovation Services
Industries that provide specialized business services to individual firms that are starting-up or beginning new ventures. These include specialized business management consulting firms, accountants, attorneys, financial institutions, research and development, testing labs, engineering services, and others. A complete definition of industries included in the "Innovation Services" cluster is located at the end of Appendix B of this report.

## Labor Force
People age 15 and above, who reside within a particular place (city) and who are available and willing to work and include: (1) people who worked at any time during the reference week; (2) people on temporary layoff who were available for work; (3) people who did not work during the reference week but who had jobs or businesses from which they were temporarily absent (excluding layoff); (4) people who did not work during the reference week, but who were looking for work during the last four weeks and were available for work during the reference week; and (5) people not in the labor force.

## MIG, Inc.
Minnesota IMPLAN Group, Inc. are the developers of the IMPLAN® economic impact modeling system. They also provide a version of the CEW employment database that estimates the employment and payroll for industries not disclosed due to confidentiality restrictions.

## NAICS
Beginning in 1997, the SIC was replaced by the North American Industry Classification System (NAICS). This six-digit code is a major revision that not only provides for newer industries, but also reorganizes the categories on a production/process-oriented basis (SIC used a mixture of production-based and market-based categories).

The new NAICS system was developed jointly by the [U.S. Census Bureau](#) in cooperation with the U. S. Economic Classification Policy Committee, [Statistics Canada](#) and Mexico's [Institutio Nacional de Estadistica, Geografia e Informatics](#). This new, uniform, industry-wide classification system has been designed as the index for statistical reporting of all economic activities of the U.S., Canada, and Mexico.

## Retail Leakage

Retail sales occurring outside a particular market area. In Milpitas' case this refers to the purchases made by Milpitas residents in places outside of Milpitas.

## SIC

The Standard Industrial Classification (SIC) system is a series of number codes that attempts to classify all business establishments by the types of products or services they make available. Establishments engaged in the same activity, whatever their size or type of ownership, are assigned the same SIC code. These definitions are important for standardization.

The SIC codes were developed to facilitate the collection, tabulation, and analysis of data and to promote comparability in statistical analyses. Despite drawbacks in the classifications, it is useful to have a code in hand when doing research. Most business directories and directory databases use the SIC codes to classify companies. The federal government uses the codes for particular data series; for example, the Census of Manufactures and the Census of Retail Trade.

## Supplier Industry

Industries that provide goods and services to other industries.

## Tri–City Area

The cities of Fremont, Newark and Union-City make up the region commonly known as "Tri-City"

## UC

University of California

## Workers

People over the age of 15 and who work within a particular place. In the case of Milpitas, this refers to the people employed at firms located within Milpitas. They may reside anywhere. Employed--All civilians 16 years old and over who were either (1) "at work" --those who did any work at all during the reference week as paid employees, worked in their own business or profession, worked on their own farm, or worked 15 hours or more as unpaid workers on a family farm or in a family business; or (2) were "with a job but not at work"--those who did not work during the reference week but had jobs or businesses from which they were temporarily absent due to illness, bad weather, industrial dispute, vacation, or other personal reasons. Excluded from the employed are people whose only activity consisted of work around the house or unpaid volunteer work for religious, charitable, and similar organizations; also excluded are people on active duty in the United States Armed Forces.